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MANAGEMENT THEORIES IN THE PRIVATE AND PUBLIC SECTORS

HEARINGS

BEFORE THE

SUBCOMMITTEE ON CIVIL SERVICE,
POST OFFICE, AND GENERAL SERVICES

OF THE

COMMITTEE ON
GOVERNMENTAL AFFAIRS
UNITED STATES SENATE

NINETY-EIGHTH CONGRESS

SECOND SESSION

SEPTEMBER 19 and 26, 1984

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MANAGEMENT THEORIES IN THE PRIVATE AND PUBLIC SECTORS

WEDNESDAY, SEPTEMBER 19, 1984

U.S. Senate,
Subcommittee on Civil Service,
Post Office, and General Services,
Committee on Governmental Affairs,
Washington, DC.

The subcommittee met at 10:07 a.m., in room SD-342, Dirksen Senate Office Building, Hon. Ted Stevens (chairman of the subcommittee) presiding.

Present: Senators Stevens and Bingaman.

Staff present: Wayne A. Schley, staff director; Jeffrey D. Landry, assistant counsel; Pat Phillips, chief clerk; Ruth Wheeler, professional staff assistant; Edwin S. Jayne, minority staff director; and Sheb Adkisson, professional staff assistant.

OPENING STATEMENT OF SENATOR STEVENS

Senator **Stevens**. Good morning. Today we are going to be receiving testimony on innovative private and public sector management theories. A second hearing on the same subject has been scheduled for September 26.

Senator Bingaman suggested that we invite a number of distinguished authors, academics, corporate officers and public officials to participate in these hearings. The hearings will deal with management theory in the broadest possible sense. This subcommittee has no predetermined legislative agenda hinging on what is said at these hearings. Our objective is to stimulate a discussion of innovative management techniques currently used in the public and private sectors. We want to learn as much as possible about what is going on in the private sector that may have positive application to the Federal Government.

In recent years, there has been increasing attention paid to novel management theories in the private sector and in business schools.

Improved management of our Nation's Government is important to all of us. Whether it is innovative personnel policy that will improve employee morale and productivity or improved management techniques leading to more cost-effective Government purchases, the American taxpayers will be the beneficiaries.

We look forward to the insights of both the private and public witnesses on this topic. I am pleased to ask Senator Bingaman if he has an opening statement.

OPENING STATEMENT OF SENATOR BINGAMAN

Senator **Bingaman**. Thank you very much, Mr. Chairman. Let me start by thanking Senator Stevens for agreeing to hold the hearing today and the one next Wednesday. These hearings, as he indicated, are an initial effort to focus some attention on possible management improvements that could be instituted throughout the Federal Government or that already are in place in the Federal Government.

I think the Congress in particular, perhaps, has a tendency only to focus on Federal management in the case of situations where there is something criticized and we obviously see part of our role as identifying those areas that need criticism and calling public attention to them.

But I do think it is also important to try to identify those things that can be encouraged and emulated throughout other sectors of the Federal Government. I am particularly interested not only in finding out what is being done in Government that might be expanded to other areas of Government, but also trying to identify those innovative techniques that are being used in the private sector today that possibly have some application in the public sector.

I think there is a tendency on the part of all of us to assume that what works in the private sector for various reasons may not work in the public sector. Although that is true in some circumstances, I think that a lot of what results in good management in any institution is applicable throughout both the private and public sectors.

So I am looking forward to the testimony. I hope we can get some good information as to steps that are being taken or can be taken to enhance the role of managers, to reward managers for quality, and to improve the efficiency of the Federal Government.

[Senator Bingaman's prepared statement follows:]

Prepared Statement of Senator Jeff Bingaman

I would like to thank Senator Stevens for agreeing to hold this hearing today and the hearing scheduled for next Wednesday, September 26, at 10 a.m. These hearings represent the joint efforts of the majority and minority of this subcommitttee to understand how to improve management systems in our Federal Government. I am proud to be a part of these hearings and look forward to hearing the testimony of this outstanding group of witnesses.

The task of managing the huge Federal Government is an important one and a difficult one. There now exist more than 2.9 million civilian employees; 17 major departments; 56 or more independent agencies, commissions and corporations; and hundreds of other boards, committees, and commissions in the Federal Government; each with its own individual management structure. In part due to the complexity of our Government little real attention has been given to looking at the issue of effective management.

Without question, management streamlining and improvement are important subjects which warrant the attention and concern of Congress. The Federal Government in some way or another touches the lives of each and every citizen in this country. Whether it be through making our airways safe, policing our borders, inspecting our food, establishing health and safety standards, delivering mail, or in collecting taxes, the operation of the Federal Government is important and necessary in meeting the commitments of the past and the challenges of the future.

We need to improve the management philosophy of the Government by enhancing the role of managers, rewarding them for quality, efficient work, and creating a more desirable environment for the work force within the financial, technical, and administrative means of the Federal Government. We want to encourage change where a more efficacious system can be implemented and innovative management techniques can be utilized.

During the course of these hearings, we will hear from representatives of Government, industry, and the academic community. Each of these individuals has expertise in the field of and have expressed concern for improved management and the concept of effective and efficient human resource utilization in the public and private sectors of our community. The testimony we will hear today and next week will be useful in our efforts to explore management techniques that have emerged within the private sector over the last few years and will highlight management initiatives currently underway in the public sector. I am hopeful that these hearings will enlighten us about the many private sector techniques currently being used. And hopefully the expanded use of public sector initiatives, improved efficiency, and morale will help cut the cost of operating the Federal Government.

I look forward to hearing the testimony.

Senator STEVENS. Thank you very much, Senator Bingaman. I have been asked to make certain that a statement by Dwight Ink appear in the record. We will put it in the record after those who appear here this morning.[1]

Our first witness is William J. Anderson, Director of the General Government Division of the General Accounting Office, and you are accompanied by Mr. Roger Sperry. We are pleased to have you here.

TESTIMONY OF WILLIAM J. ANDERSON, DIRECTOR, GENERAL GOVERNMENT DIVISION, U.S. GENERAL ACCOUNTING OFFICE, ACCOMPANIED BY ROGER SPERRY, SENIOR GROUP DIRECTOR, GENERAL GOVERNMENT DIVISION

Mr. ANDERSON. Thank you very much. For the benefit of the people in the audience, the chart that isn't visible to you is attachment 1 to the GAO statement. Basically what we tried to capture in response to the committee's interest was an overview of what is going on across Government to help the Federal manager do a job—just like GAO is here to help.

In any event, we tried to identify some of the major ongoing initiatives, and I would like to briefly discuss them.

First, within the executive branch, we identify the Grace Commission study and recommendations as one source of ideas on how we might do things better. Right now, in fact, at the request of the Governmental Affairs Committee, GAO is conducting an analysis which will try to address the Grace Commission's major recommendations in their entirety. A lot of the recommendations were based on GAO work. For at least some part of them you probably won't have too much difficulty, but we do see them as a source of a lot of good ideas. We are aware the executive branch and the Office of Management and Budget take it seriously and are developing a strategy for examining them and, to the extent warranted, working those recommendations in their budgetary actions.

We have the Cabinet Council on Management and Administration chaired by Ed Meese, which is right now the administration's principal thrust in trying to control all the things it has in mind to improve the management of the Federal Government.

A more recently created organization, PCMI, the President's Council on Management Improvement, which is composed of all the assistant secretaries across Government, is chaired by Joe Wright. We see this council as a positive force as well.

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[1] See p. 345.

And then there is the President's Council on Integrity and Efficiency consisting largely of the inspectors general across Government. Again, this is an important part of what is being done across Government to improve management.

Within OMB and within Arlene Triplett's shop, with Joe Wright obviously very closely overseeing what is happening, we have all the Reform 88 initiatives. There are also OMB management reviews underway which are built into the budget function.

GAO issued a report in 1983 that was entitled "Selected Government-Wide Management Improvement Efforts—1970 to 1980." I will be glad to provide a copy of it for the record.[1] The point this report made is that a lot of these management improvement efforts have been attempted in the past. There have been prior Presidents that were very much interested in trying to improve the quality of management across Government. The record is failure after failure, little of any lasting value.

I guess you can say we see more going on today that has promise in terms of institutionalizing some of these improvement activities. In particular, they are trying to establish that link with the budgetary side of OMB. I know past analyses and our 1983 report made the point that one of the things that went wrong with prior management initiatives is you didn't have the clout of the budget side of OMB. So we see some moves being made in that direction.

In any event, let me continue now and tell you what GAO is doing in the overall management area. Comptroller General Bowsher, by virtue of his prior experience as an Assistant Secretary of the Navy and by virtue of numerous conversations with public and private officials, believes a lot of things can be done to improve the management of Government. He has embarked on a very ambitious effort to undertake management reviews at most of the major departments and agencies; to go in and take a base-line look at how all the administrative support functions are being operated within those departments and agencies, and at the conclusion of these efforts, trying to draw some general lessons. We are talking several years down the road on what it all means in terms of recommendations for improving management generally.

The only department we have looked at and issued a report on to date is Housing and Urban Development, and if I had to say there was a theme in that report, the theme was there are a lot of problems associated with the lack of continuity in management. There is nothing profound about that. The report, though, did say that one of the options that ought to be explored is the creation of an Under Secretary for Management that might be able to address the problems and provide the continuity. Again, GAO is still trying to digest its findings on these management studies and hopes to move on to the central management agencies and ultimately produce some reports on them as well.

Let me tell you a little bit about GAO's other activities. We have an awful lot going on that impacts on the management of Federal agencies. I think in our entirety, all 5,000 of us consider our primary business is helping Congress identify ways to improve the economy, efficiency and effectiveness, that is, the management of Federal programs.

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[1] See p. 357.

Comptroller General Bowsher has sponsored, within GAO, initiatives aimed at finding ways to improve financial management across Government. Having been in the Department of the Navy, as I said earlier, he has some real insights on how the planning, programing, and budgeting system [PPBS] seems to have improved things over in Defense. He believes there are some lessons learned over there that could be applied to the rest of Government.

GAO now has a report out in draft form that is entitled, "Managing the Cost of the Government: Building an Effective Financial Management Structure." I won't get into the details of that, but the bottom line is that GAO is making some rather significant proposals for cost-based budgeting, for separation of investment costs from operating costs, and considering how we budget and account for the moneys that we spend.

I spoke of the management reviews earlier. I am sure you are aware we have created an Information Management and Technology Division in GAO concerned with trying to see what is happening in the information resources management area across Government.

In the productivity area—I know this is one of a special concern to you in connection with these hearings—let me tell you about the initiatives that GAO has underway.

First, we have issued a report in the last year that pointed out that the Federal Government does not manage its productivity improvement activities effectively, compared to the private sector. A.T. Hering Co. did a study a couple of years ago that established a very defined, cause-effect relationship between those private sector companies that had an organizational entity aimed at and concerned with finding ways to improve productivity and profitability. Inevitably, companies with productivity groups were profiting considerably more than those that did not have such an organization.

Again, GAO is trying to promote that across Government by saying, "If it works out there, why don't we try and establish these units within the Federal Government and get people thinking about productivity improvement activities."

I spoke about earlier efforts that had failed. There has been a lot of good work in the past and even OMB circulars that try to drive identification of productivity improvements within executive agencies. They haven't worked. This administration, through the President's Council on Management Improvement, has said they are going to focus on trying to identify productivity improvement initiatives.

GAO's own efforts, and they are in my division, are basically aimed in three different directions: First, we are taking a systematic look at Government-wide common activities and trying to see whether there is criteria within one agency, say—and you mentioned it earlier—where one agency does it very well and others don't do it so well. There is a lesson learned there that may be applied across Government. For instance perhaps consolidation is possible.

We issued a report not long ago that looked at the payroll function across Government. We found the cost of maintaining the payroll system across Government varied from $52 to $370 depending on which agency we looked at. I am pleased OMB has picked up on that and does have an agenda already developed to try to bring some sanity to that function. We are looking systematically at common Government functions, such as case management and the personnel function, and we are asking can we do it better?

Second, we also intend to look at the institutional constraints affecting productivity improvement, and here I mean primarily capital investment moneys. I know, Chairman Stevens, that you were involved and I am very much aware of the Postal Service and one of the principal concerns of the Kappel Commission. One of the reasons this outfit was in terrible shape was the difficulty it had obtaining capital investment money. They certainly have improved productivity. I won't say the rest of the outfit is shaping up to everybody's expectations, but they did overcome the capital investment problem.

It is a fact we don't have the machinery in place right now to provide Federal agencies with the money to move out on capital investment opportunities even when they are clearly identified.

Finally, I spoke of these management studies we are doing. We also have a productivity segment in each one of those studies which is looking at what the agencies are doing to help themselves in terms of trying to come to grips with measurement of output across the agency and specific initiatives to improve productivity.

I could go on about GAO's other things. Let me stop here and try to come to grips with what it all means. What it means is that there has been a lot of failure in the past when we tried to move out on some of these seemingly obvious opportunities to improve the quality of management in Government. We haven't been too successful. Making this link between the budget side and management side of Government, over at OMB, I think has some real promise. I am sure you are going to be hearing from people with a set of views about establishing an Office of Federal Management, like the Grace Commission has recommended and, indeed, NAPA also recommended in its recent report on the deregulation of Government. I don't have a set of views on that, but obviously there are some pros and cons to be explored on that one as well.

Let me stop there. I have talked longer than I should have, Mr. Chairman. I will try to respond to any questions you may have.

Senator **Stevens**. We are going to print in the record in full your prepared statement; not only yours, but all those who appear at these hearings. I do think they will be a good place for people to get an overview of the whole subject. I want to thank you for your statement.

I don't understand your last comment concerning the Grace Commission's recommendation on the creation of an Office of Federal Management.

Mr. **Anderson** [interposing]. Yes. Both the Grace Commission and the National Academy of Public Administration. As a result of the study NAPA did recently on the deregulation of Federal management—in fact one of my GAO people was on loan there—they came up with the idea that what we need is to establish a new organization called an Office of Federal Management. Now, the Grace Commission and NAPA would differ on some of the specifics on what that organization would be all about.

Way back in 1976, NAPA took its first look at the Office of Management and Budget and it wrote a report that said OMB is really falling down on the management side over there. There was no concern at all about bringing about management improvements across Government. All the emphasis was on the budget side, and a lot of people have ascertained over the years, as you look to OMB for management direction and initiatives, that management is always going to be subsidiary to their concern with budget formulation.

I remember when President Carter came in and he spoke about all these management initiatives that he had in mind, and one of the first things he did was cut the size of OMB from 715 to 585. I said, "Oh, Lord, here we go again because a lot of those resources were peeled out of the management side of OMB."

In any event, the whole point is by taking this management oversight and direction function out of OMB, some people who have studied the subject think that you will get a lot more adequate attention to what can be done to improve management across Government.

Senator **Stevens**. Have you in GAO examined that concept yet?

Mr. **Anderson**. No, sir, but in the course of preparing this report for this very committee that we are doing now on the Grace Commission, we are going to be looking at their recommendation and, I expect, commenting on it.

Senator **Stevens**. When could we expect that report to be completed?

Mr. **Sperry**. We are scheduled to issue that report in January at the same time as the administration will be issuing a report required by the Budget Reduction Act on how they are responding to various recommendations including the Grace Commission. We may go a little bit beyond that date depending on what kind of information we are able to get from the administration as to how they themselves are proceeding on this issue. Sometime in the spring.

Mr. **Anderson**. One thing, Mr. Chairman, there is no reason why you couldn't function within the present OMB. We have more staff there now and more attention and Mr. Wright, the Deputy Director, who is very much involved in all of these matters. But, still, it is a recommendation that is going to have to be thought out, and we will present a set of views to the committee.

Senator **Stevens**. I think this committee is going to be very interested in that. I am not sure we would like to see it come out of the OMB function. I think there ought to be some way to accentuate the management concepts of OMB and the rest of the executive branch. It would be a very interesting concept to conduct management reviews of agencies to the same degree that Congress currently reviews agency budgets. As a matter of fact, Congress could mandate the management review before they talk about how much money agencies are going to get for the next year. It has a way of getting people's attention. To say they can't have their money until they have the certification of management compliance would be a very interesting thing. Senator Bingaman.

Mr. ANDERSON. I am sorry, sir, before you pass on from that subject, they have an initiative right now underway that is supposed to take place starting with the 1986 budget. The agencies are being tasked with coming up with a management improvement plan. It could be a signal event. Sorry, sir.

Senator BINGAMAN. Let me just ask a couple of other questions. Regarding the Grace Commission report, is it now under review by the administration to see whether or not parts of it should be implemented, or is it already actually being implemented?

Mr. ANDERSON. It is being thoroughly studied and implemented in part. There is a process in place over in the executive branch. In fact, our liaison with that effort is Mr. Sperry here, so let me have him tell you what they are doing to examine the recommendations.

Mr. SPERRY. The Office of Cabinet Affairs is responsible between now and the end of the year for reviewing all 47 of the Grace Commission reports. The review of the Federal management systems report, which is the one that contains the Office of Federal Management recommendation, has not yet been completed and, to our knowledge, the administration has not taken a position on that yet. Dave Stockman did testify, I think this spring, in appropriations hearings, and he thought that was not a bright idea. That doesn't necessarily represent their final position on it.

Mr. ANDERSON. On the balance of the recommendations, Roger, how are they being staffed out by the agencies and OMB?

Mr. SPERRY. In terms of the process they are going through on all these reports, they are being assigned to lead agencies and they are providing information to the White House on whether these recommendations have been incorporated in the 1984 or 1985 budget, whether they should be incorporated in the 1986 budget or whether it would simply require further study.

As of the moment, the Office of Federal Management report, I think, would be in the category of requiring further study. They are about halfway through the process, roughly, and they mostly have the cost-cutting reports left to go. Most of the rest of what needs to be done is to staff out and make decisions on the cost-cutting reports, including the Federal Management report.

Senator BINGAMAN. Is it accurate to say, then, they are doing an analysis to determine which of the recommendations should be implemented?

Mr. SPERRY. That's correct.

Senator BINGAMAN. They are not going forward with implementation until that determination is made?

Senator STEVENS. Senator, could you yield for just a minute? I am sorry, I am part of some negotiations with Senator Baker. I am told he is back and wants me back there now. Senator Bingaman is going to continue these hearings. I will get back as soon as I can.

Mr. SPERRY. Many of the recommendations have already been incorporated in the budget and have been acted on by the agencies. That part has already been taken care of.

Senator BINGAMAN [presiding]. Is that on directive by somebody——

Mr. **Sperry** [interposing]. Yes, that comes from President Reagan.

Senator **Bingaman**. He has identified certain recommendations he likes and directed they be implemented?

Mr. **Sperry**. I don't know that he personally has reviewed the reports. He certainly has stated to his Cabinet and to his administration that he wants all of these recommendations reviewed, analyzed and acted on. The timetable they have established is that at least initial decisions will be made by the end of this year. They will be reporting in January in accordance with the Budget Reduction Act on what actions they have taken.

Senator **Bingaman**. I guess I am still confused as to whether or not there has been a determination to implement certain recommendations already or whether we are still awaiting an overall review before the administration determines to implement.

Mr. **Sperry**. No, there have been determinations on about half of the recommendations. They are proceeding on those.

Senator **Bingaman**. Are those available? Is that public knowledge as to which half you are implementing?

Mr. **Sperry**. We do not have knowledge of the specific recommendations which have been implemented. They have issued information as to the total number of recommendations that they have acted on and the projected dollar savings of that. Of course, that can be provided for the record if you like.

Senator **Bingaman**. The total number they acted on in the sense of implemented, not just acted on in the sense of clear for approval?

Mr. **Sperry**. That some action has been taken to implement the recommendations. That action may be only to propose legislation, if, indeed, legislation is required, but at least to take some action.

Senator **Bingaman**. When will that information be available? Not until you report in the spring, is that right?

Mr. **Sperry**. That is our timetable. The administration will be making their own report in January along with the budget.

Mr. **Anderson**. The administration has been tasked with providing a report that tells what it proposes to do, not only with the Grace Commission recommendations, but also GAO's open recommendations as well as the major recommendations of the inspectors general.

Senator **Bingaman**. Let me ask, I notice one of the initials you have got up here is PCMI, President's Council on Management Improvement. Is that what it stands for?

Mr. **Anderson**. Yes, sir.

Senator **Bingaman**. Can you tell me more about that, when it meets, does it have staff?

Mr. **Anderson**. Let me turn that over to Mr. Sperry.

Mr. **Sperry**. This Council was only recently formed, I think, in May of this year. We have not had any firsthand knowledge of their precise agenda. I think they only had their first meeting in August with the President.

Senator **Bingaman**. How large is this?

Mr. **Sperry**. I would say it is about 30 members.

Mr. **Anderson**. It is the Assistant Secretaries for Administration or Management. They have different nomenclature across Government.

Mr. **Sperry**. Joe Wright chairs it, and the idea is it will be basically the implementation arm for the President's management improvement initiatives, primarily Reform 88. Because they do represent and are the chief administrative officers for the agencies, the idea is they should be in the position to stimulate agency cooperation on these management reform issues.

The first one they have gone public on is this proposal to improve productivity through the use of the Circular A-76 process whereby agencies are to study their operations to determine whether certain operations are to be continued in the Government or contracted out to the private sector. There is a new thrust here in that they are looking at this as not only, as you call it, a make or buy sort of study, but also an opportunity to improve internal agency operations through the test of determining whether they are, indeed, more economical than a private sector operation would be. PCMI is still relatively young. It tends to be the implementation arm.

Senator **Bingaman**. Let me also ask, I think you made reference, Mr. Anderson, to the President's Council on Productivity Improvement, in addition to his Council on Management Improvement. Is that right?

Mr. **Anderson**. No, that is not correct, sir. What I said was, the very committee we are talking about right now, its principal focus is in the productivity area. You may have heard me mention when I talked about prior efforts, there was a Productivity Council that had been set up in earlier years and terminated in 1981.

Senator **Bingaman**. But at the present time there is no Council on Productivity with regard to productivity in the Federal Government.

Mr. **Anderson**. No, there isn't, and Congress tried to do that with the 1976 act.

Senator **Bingaman**. I appreciate very much your testimony. We have several other witnesses, so I think maybe I will just stop with those few questions and thank you again and hope that we can stay in touch with you and maybe identify some ways we can help the GAO's efforts.

Mr. **Anderson**. Thank you very much, Mr. Chairman. We look forward to working with you.

[Mr. Anderson's prepared statement, with attachments, follows:]

U.S GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

FOR RELEASE ON DELIVERY
EXPECTED 10:00 A.M. EDT
WEDNESDAY, SEPTEMBER 19, 1984

STATEMENT OF

WILLIAM J. ANDERSON

DIRECTOR, GENERAL GOVERNMENT DIVISION

BEFORE THE

SUBCOMMITTEE ON CIVIL SERVICE, POST OFFICE

AND GENERAL SERVICES

SENATE COMMITTEE ON GOVERNMENTAL AFFAIRS

ON

IMPROVING THE MANAGEMENT OF THE FEDERAL GOVERNMENT

Mr. Chairman and Members of the Subcommittee:

We appreciate very much the opportunity to be a part of these hearings on management improvement in the federal government. Like you, we believe that there are significant opportunities to improve the economy, efficiency, and effectiveness of federal agency operations. In this era of budget stringency, good management is essential and we agree that the subject deserves greater emphasis.

As requested, my statement will provide a brief overview of current government management improvement efforts. Then I will discuss the limited institutional support past management reforms have received and the implications for current efforts. Following that and building on the theme that capable people are what make the difference in any undertaking, I will discuss two key management areas: human resources and management support systems. I will conclude by providing our views on the roles and responsibilities of the major actors in the management improvement process.

CURRENT MANAGEMENT IMPROVEMENT EFFORTS

The Administration has devoted substantial energy and attention to developing and carrying out an agenda for improving management by various means. The President said in his most recent budget message that, "It is important to continue to reduce the size of government. It is equally important to use the remaining resources as efficiently and effectively as possible."[1] Starting with an attack on fraud, waste and mismanagement through the President's Council on Integrity and Efficiency and the Grace Commission, the Administration has more recently broadened its efforts by initiating a long-range program aimed at improving financial and administrative efficiency through Reform 88, proposed personnel management reforms, and management reviews tied to the annual budget process.

Guidance for all these efforts is provided by the Cabinet Council on Management and Administration. In addition, a President's Council on Management Improvement, composed mostly of the departments' assistant secretaries for management, was recently established to implement the reforms.

Other organizations, including the General Accounting Office, are devoting more attention to management issues. GAO has embarked on a series of general management reviews at three cabinet departments and a major defense support agency with the goal of demonstrating how the implementation of programs and top management's initiatives can be improved by good management. GAO has also devoted substantial resources to overseeing the implementation of the Federal Managers Financial Integrity Act of 1982, one of whose goals is to strengthen the management of federal operations through improved internal controls.

The National Academy of Public Administration recently completed a major report on the need to "deregulate" public management.[2] NAPA also published within the last year reports on the Presidential appointment process,[3] and budget and personnel processes of the Environmental Protection Agency.[4] The Congress recently provided the Academy a federal charter designating as one of its purposes to evaluate the government's "structure, administration, operation, and program performance."

Moreover, the Congress itself has been active in examining management issues. The 98th Congress has considered or acted on merit pay, reauthorization of the Office of Information and Regulatory Affairs, extension of the Reorganization Act, a Commission for More Effective Government, and revisions of the budget process.

One issue this Subcommittee may wish to explore is the relationship between the many individuals and organizations who aim to help the federal manager do his or her job better or more efficiently. On balance, are we enhancing the government manager's capabilities or just making the job more complex and difficult? Attachments 1 and 2 to my prepared statement list these management improvement sources and selected major initiatives of which we are aware.

LIMITED INSTITUTIONAL SUPPORT FOR PAST MANAGEMENT REFORMS

While many management improvement efforts are now underway, recent history suggests that not all will succeed. Excluding the incomplete record of the current Administration, Executive Branch-led efforts since the creation of OMB have been characterized by episodic attempts at reform, generally of short duration. There have been a range of efforts to achieve a workable balance between Presidential control and departmental autonomy. While the circumstances surrounding the initiatives varied, they generally shared the characteristics of minimal direct interest by the President or OMB Director; limited attention to implementation strategies; and less than ideal working relationships with OMB's budget staff.

We made these observations in a report on a GAO staff study of selected government-wide management improvement initiatives undertaken from 1970, when the Office of Management and Budget was formed, through 1980.[5] GAO staff reviewed 12 such initiatives which represented a range of approaches: OMB circulars, Presidential Commissions, organizational restructuring, and management tools and systems.

We found that efforts led by the Executive Office of the President alternated between direct intervention into agency management and official--but largely ineffectual--exhortations of agency leadership to examine operations more critically. The direct intervention efforts were all of short duration. Therefore, none provided a real test of how such efforts would work once the inevitable early problems were resolved. Even with more time, however, there was a question as to whether OMB, an institution consistently dominated by the budget process, would have given any of the various initiatives the necessary attention, priority, and resources to assure a more successful result.

The overall record of this period was sufficiently discouraging as to lead several NAPA panels and the Grace Commission to suggest that the problem of sustaining broad management improvement needs urgent attention. Both groups proposed that an Office of Federal Management be established, although with somewhat different charters. Drawing on suggestions made by others and discussions with knowledgeable observers, GAO's study provided several options--without endorsing any of them--which ranged from accepting the current management improvement framework to establishing a separate central organization to address management issues. Attachment 3 provides an executive summary of this GAO study.

The Cabinet Council on Management and Administration and the other mechanisms now in place may provide an effective framework for management reform, assuming that leadership is sustained, adequate resources are provided, and good cooperation is obtained from the Congress and from the affected departments and agencies. Without passing judgment on the specific initiatives, we are encouraged that a long-range strategy is part of Reform 88 and that the Administration is giving attention to many management issues. However, it is too early to forecast the outcome. We will be monitoring further developments with interest, and we assume the Congress will do the same.

I want to turn next to a discussion of two key management areas: human resources and support systems.

HUMAN RESOURCES

"Human resources management" covers the full range of personnel-related activities--recruitment and selection, assignment and development, pay and benefits, and so forth. It also encompasses less tangible activities that lead to an effective work environment, including ensuring accountability for results, building trust, and getting employees involved in improving their agencies' operations.

Public management has been defined as "the link between government goals and government accomplishments."[6] Goals translate into actions through the coordinated application of human effort and economic resources. People--both managers and employees--are what make the difference. Therefore, federal managers need to be given the opportunity to emphasize creativity, encourage prudent risk-taking, foster enthusiasm, strengthen rewards systems, and enhance personal accountability for organizational performance. We believe the result will be improved productivity in the federal workforce. Attachment 4 to my statement provides some examples of productivity improvement strategies being implemented in the Department of Defense.

We have found, however, that federal agencies generally have not placed a high priority on productivity improvement. Few agencies have organized, agencywide efforts to improve productivity. As a result, significant opportunities for reducing government costs are being missed.[7] Recently, OMB refocused its productivity program under the aegis of Reform 88. A revised Circular A-76 policy will encourage agencies to achieve efficiencies by considering in-house management improvements, cross-servicing arrangements with other agencies, and use of the private sector.

To foster the kind of managerial behavior we seek in the public sector,

--We need to assure that managers are competent, not only in policy development and implementation but also "managing"--getting things done through people.

--We need to give managers the flexibility to manage effectively by eliminating archaic or unnecessary restrictions.

--We need to provide the tools to manage, including sufficient resources and reliable information on program and employee performance.

--Finally, we need to hold managers accountable for organizational performance, insist on excellence, and recognize and reward excellence when it is achieved.

A number of these concepts are embodied in the Civil Service Reform Act of 1978. This act made sweeping changes in federal personnel management and civil service laws regarding employee incentives and rewards, performance appraisal, mobility, hiring, the roles of career and political executives, as well as other personnel administration issues. Specifically, the act established the senior executive service, provided for establishing a system of merit pay for supervisors and managers in grades GS-13 through GS-15, established a basis for changing performance appraisal systems to link performance of employees to all types of personnel actions, and contained other provisions designed to improve federal personnel management.

This law and the accompanying reorganization of the central personnel operations held out great promise that our government would develop a modern, efficient personnel system consistent with merit system principles. However, we think all would agree that while some advances have been made, much of the promise of the Civil Service Reform Act remains unfulfilled. To illustrate the challenges we still face, I will briefly discuss some current compensation and reward issues affecting both managers and employees.

Merit Pay

The Congress is currently considering two bills (S. 958 and H.R. 5680) to restructure the government's merit pay system and cash award program. The bills provide that merit pay employees would receive uniform pay increases for specific levels of performance. These changes would reinforce the intent of the 1978 act to make pay increases contingent upon performance.

The merit pay system was intended to significantly improve productivity and service to the public by making certain federal employees' pay increases dependent upon their performance.

Specifically, the merit pay system was designed to recognize and reward quality performance by varying merit pay increases within available funds. Agencies were required to use performance appraisals as the basis for determining employees' merit pay adjustments.

Our March 1984 report on the implementation of merit pay in three federal agencies,[8] however, highlighted many remaining problems and concerns, such as (1) employees' skeptical attitudes about the fairness of merit pay, (2) the influence of factors other than performance on merit pay increases, and (3) the inconsistent quality of performance standards and the procedures used to establish them. We believe that enactment of the proposed legislation would alleviate some of these problems for the over 100,000 federal managers and supervisors subject to the system.

Executive salaries and bonuses

Executive pay and performance awards are another problem facing the government today. Creating the SES was a major reform of the 1978 act designed to improve government operations through excellence in management. The objective was to attract, motivate and retain high quality executives by giving them challenging responsibilities, encouraging them to take risks, and rewarding them for their accomplishments. This objective has not been fully achieved. Indeed, as of June 1984, about 40 percent of the career executives who converted to SES in July 1979 had left government.

Executive pay compression was a critical problem in the formative years of the SES. Although the pay cap was lifted 2 years ago, executives' pay increases are still tied to congressional salaries and pay differences between the SES levels are too small to adequately reflect real differences in responsibility levels. Also, the availability of bonuses has been limited to far less than the maximum number of SES members who could receive bonuses under the 1978 act. The bonus situation improved somewhat in fiscal year 1984.

The merit pay bills contain provisions which would remove the existing 50 percent limit on bonuses and establish an SES bonus pool as a percentage of the total SES payroll. This revision would allow more flexibility in the number of SES members who could receive awards. However, the change could have a negative effect on SES members if individual bonus amounts are substantially reduced to provide bonuses to more SES members.

We continue to advocate an executive pay system that provides competitive salary levels, meaningful pay distinctions to recognize differences in responsibilities and performance, and incentives to encourage valuable, experienced executives to stay in the government.

Employee compensation and benefits

Pay-for-performance and executive compensation and bonuses are but two of the subjects to be addressed in providing an effective, motivated workforce. Another is the total compensation and benefits package for federal employees.

It is very difficult to develop innovative or creative compensation and reward systems for federal employees in the current environment primarily when additional costs are involved. Federal employees' pay has not been adjusted according to comparability surveys in any of the last 6 years. This year the President has announced a proposed 3.5 percent increase and delayed it from October 1 to January 1.

The present pay adjustment system is not working. The Administration believes the comparability system is too generous for federal employees and needs to be changed to more accurately reflect the nonfederal sector pay and benefit systems. On the other hand, federal employees feel they are being asked to sacrifice for budgetary savings. Given the constraints on providing more money to fund pay raises and other benefits, perhaps we should switch our focus. We have recommended that comparability adjustments be based on both pay and benefits and have offered a number of possible alternatives for changing and improving comparability systems.[9] We will be reexamining these issues in the near future.

Important pieces of a total compensation system are now on the table. The Congress is developing a retirement system for new federal employees that will supplement social security coverage. The Administration has also proposed a voucher system alternative for federal employees' health insurance. However, we must consider these individual changes in relationship to each other and in the context of the total pay and benefit system. We must also ensure that the individual actions we take result in pay and benefits that are fair to both federal employees and the taxpayers.

MANAGEMENT SUPPORT SYSTEMS

Capable people need modern, effective, and responsive management support systems to do their jobs well. Such systems include the processes and activities for procurement, information resources management, and facilities management. They also include the financial management structure--the planning, budgeting, accounting and auditing systems.

Work we have performed in monitoring implementation of the Financial Integrity Act[10] and elsewhere has convinced us that the government needs to make a major effort to rebuild its financial management structure.

The Financial Integrity Act requires federal managers, for the first time, to establish a continuous process for evaluating, improving, and reporting on the internal control and accounting systems for which they are responsible. Agencies' first year efforts primarily involved establishment of a process to evaluate systems of internal accounting and administrative controls. However, many material weaknesses were identified by the agencies. Many of these weaknesses are longstanding and cannot be corrected on a piecemeal and partial basis.

The Comptroller General has testified[11] that the federal government's basic approach to financial management is obsolete and inefficient. The federal government relies on outdated accounting and management information concepts, systems and structures which are not designed to provide the information needed by managers, policy officials and the Congress. The flood of information from the government's financial reports provides little of the reliable cost data essential for effective policy making and program management. The long history of unreliable and inconsistent weapons system cost estimates is a case in point.

The overburdened and complex budget process in the executive branch as well as in the Congress is another dimension of the problem. Despite the complexity of the process, the budget or financial plan that emerges from it does not include all government activities, nor does it disclose all costs of those activities. Major activities, referred to as off-budget, are excluded from the budget totals and certain costs, such as unfunded pension costs are not disclosed. Additionally, areas of major concern such as capital investment, are not provided adequate visibility, due in large part to a budget and accounting approach that treats capital investment as if it were spending for current operations. These information gaps make informed policy choices much more difficult.

We are convinced that a modern structure of financial management can be built for the federal government, but it will not emerge by accident, nor can it be created through isolated efforts in a few agencies. Building the structure will require the design and installation of new systems over an extended period. Much of this effort can be accomplished with little additional cost by coordinating new and existing system development activities.

As the first step toward implementing a new financial management structure, we think that discussion and debate are necessary to provide a full understanding of the nature and extent of our financial management problems. This discussion and debate should address at a minimum such issues as the

--poor quality of financial management information;

--poor linkage between the phases of the financial management process

--inadequate attention paid to monitoring and comparing budgeted activity with actual results;

--inadequate disclosure of assets, costs, and liabilities; and

--antiquated and fragemented financial management systems.

We are confident that open discussion will lead to general agreement that these problems are widespread and serious and that they warrant a broad rebuilding of the overall structure. Attachment 5 to my statement provides a brief summary of the key elements to be addressed, a list of objectives, and a suggested strategy for implementation.

Now, I want to provide our views on the roles and responsibilities of four major actors in the management improvement process.

ROLES AND RESPONSIBILITIES

My statement has covered a wide variety of issues that pertain to improving the management of the federal government. The term management improvement is indeed very broad, and it means different things to different people. However, what it all boils down to is that a need exists to create an environment that supports good management and high productivity in the federal sector.

In addition to its financial and program audits, GAO has performed work over the last several years in several functional areas such as civilian personnel, procurement, productivity, and information resources management. Our monitoring of the Financial Integrity Act implementation and the general management reviews are providing us additional, valuable perspectives. Based on this experience, here is what we see as the major management improvement roles of the various government institutions--including the GAO--in future years.

First, the federal departments and agencies. The primary responsibility for management improvement resides here. These, of course, are the entities to whom our laws generally assign responsibility for policy and program implementation and who carry on the government's day-to-day operations. Agency managers are--or should be--in the best position to know what is going on in their organizations, to design and operate the management systems for financial and program operations, and to motivate their employees to achieve excellence and high productivity. Indeed, there are some encouraging initiatives now underway.

To strengthen agency managers' capacity to improve management systems and productivity, we believe there is a need to provide greater continuity in top management and greater focus on management issues. We recently completed our first department-level management review at the Department of Housing and Urban Development (HUD).[12] In HUD, as in other departments, the top managers are political appointees who change with each new Presidential administration, or often even more frequently. As a result, we found that HUD lacked an "institutional memory"--that is, the continuity provided by senior executives who understand the causes of HUD's longstanding management problems and the implications of alternative solutions. People inside and outside HUD told us that the frequent management changes deprived the Department of needed continuity.

We offered as an option to effectively address HUD's managerial style, accountability, and continuity, the creation of the position of Under Secretary for Management. This Under Secretary--a nonpartisan presidential appointee having excellent professional credentials and broad management experience--would be responsible for developing, maintaining, and integrating HUD's management systems and the essential management functions, such as management information systems, budgeting, planning, evaluation activities and resource management.

To improve accounting and financial management, we also recommended that the HUD Secretary establish a Chief Financial Officer with clear responsibility and accountability to establish financial policy and provide a central focus to develop improved financial management systems.

Even with greater continuity and a stronger managerial focus, improving management is a continuing challenge as policies and programs change over time. Moreover, because there are wide variations across departments and agencies, solutions to management problems need to be tailored to the specific environment in which they will be implemented.

Second, the Presidency and the central management agencies. These institutions at the top of the government pyramid need to provide leadership, direction, and oversight for government-wide management reforms and cross-cutting activities. Even though agencies have the primary responsibility for their own management improvements, there are circumstances where it makes sense for agencies to work together under strong central leadership.

In our study of management improvement efforts during the 1970's, we learned that a key to successful management reform may lie in demonstrating to the agencies that OMB leadership, backed by the President, is truly interested in management reform. OMB leadership has not always demonstrated such interest, and some observers believe that OMB's natural preoccupation with budget issues would always make it difficult for that office to provide stable, long-term leadership on management issues. The current Presidential management improvement initiatives appear to have the strong support of both the President and OMB's leadership. The Cabinet Council on Management and Administration provides an additional source of policy guidance and coordination.

Our study of earlier management improvement initiatives showed that here, too, continuity and dedicated resources appear to be important factors to consider in planning and implementing initiatives. Limits on the size of the Executive Office of the President and dominance of the budget process may be two reasons why more resources have not been available for management improvement efforts. In addition, changes in the Presidency or OMB leadership have usually resulted in changes in the management improvement agenda and a resulting loss in continuity and momentum.

Third, the Congress. The legislative branch has always played a key role in management. Four laws which have had a significant impact on GAO and a major effect on government management are the Budget and Accounting Act, 1921, the Congressional Budget and Impoundment Control Act of 1974, the Civil Service Reform Act, and the Financial Integrity Act--all major Congressional initiatives.

Our study cited above showed that a base in statutory authorization appears to be helpful for management initiatives, even though OMB usually opposes this approach. Although not a guarantee of success, the legislative process ensures there will be considerable debate and compromise over any reform efforts. That debate extends the base of interest and commitment to reform measures and may lead to a general consensus among affected parties about what needs to be done. Certainly the Congress provided the key impetus to sustained reform in procurement, paperwork reduction, and the inspectors general legislation.

Fourth, the General Accounting Office. From what I have already said, it should be clear that our organization is asserting a larger role in improving management. Our general management reviews reflect a growing concern that the federal government should be well managed, regardless of specific policy initiatives. By focusing on the overall missions of the departments and agencies from the top managers' perspectives and relating managerial problems to the initiatives and managerial needs of the top officials, we hope to provide insights that will stimulate good management--the element so essential to effective program implementation and less costly operations.

We plan to continue our management review efforts. As we gain experience with the major problems and management issues at individual agencies, we will become better positioned to evaluate the central management agencies as well. Attachment 6 provides our general management review concept and approach.

We also will continue our oversight of the Financial Integrity Act's implementation and its impact on agency accounting systems and internal controls. Finally, we are continuing our dialogue with other interested parties on how to achieve an overall reform of our government's financial management systems. We look forward to working with the Governmental Affairs Committee in these important areas.

This concludes my statement. I would be pleased to respond to any questions you or the other members may have.

FOOTNOTES

[1] U.S. Office of Management and Budget, Budget of the United States Government, FY 1985 (Washington, D.C.: Government Printing Office, 1984), pp. M16-M19.

[2] National Academy of Public Administration, Revitalizing Federal Management: Managers and Their Overburdened Systems (November 1983).

[3] Macy, J. W., Adams, B., and Walter, J. J. America's Unelected Government: Appointing the President's Team (Cambridge, MA: Ballinger Publishing Co., 1983).

[4] National Academy of Public Administration, Steps Toward a Stable Future: An Assessment of the Budget and Personnel Processes at the Environmental Protection Agency (May 1984).

[5] U.S. General Accounting Office, Selected Government-Wide Management Improvement Efforts--1970 to 1980 (GAO/GGD-83-69, Aug. 8, 1983).

[6] Crane, D.P., and Jones, W.A., Jr., The Public Managers Guide (Washington, D.C.: Bureau of National Affairs, 1982), p.2.

[7] U.S. General Accounting Office, Increased Use of Productivity Management Can Help Control Government Costs (GAO/AFMD-84-11, Nov. 10, 1983).

[8] U.S. General Accounting Office, A 2-Year Appraisal of Merit Pay In Three Agencies (GAO/GGD-84-1, March 26, 1984).

[9] U.S. General Accounting Office, Need for a Comparability Policy for Both Pay and Benefits of Federal Civilian Employees (FPCD-75-62, July 1, 1975), and Determining Federal Compensation: Changes Needed to Make the Processes More Equitable and Credible (FPCD-80-17, Nov. 13, 1979).

[10] U.S. General Accounting Office, Implementation of the Federal Managers' Financial Integrity Act: First Year (GAO/OGC-84-3, Aug. 24, 1984).

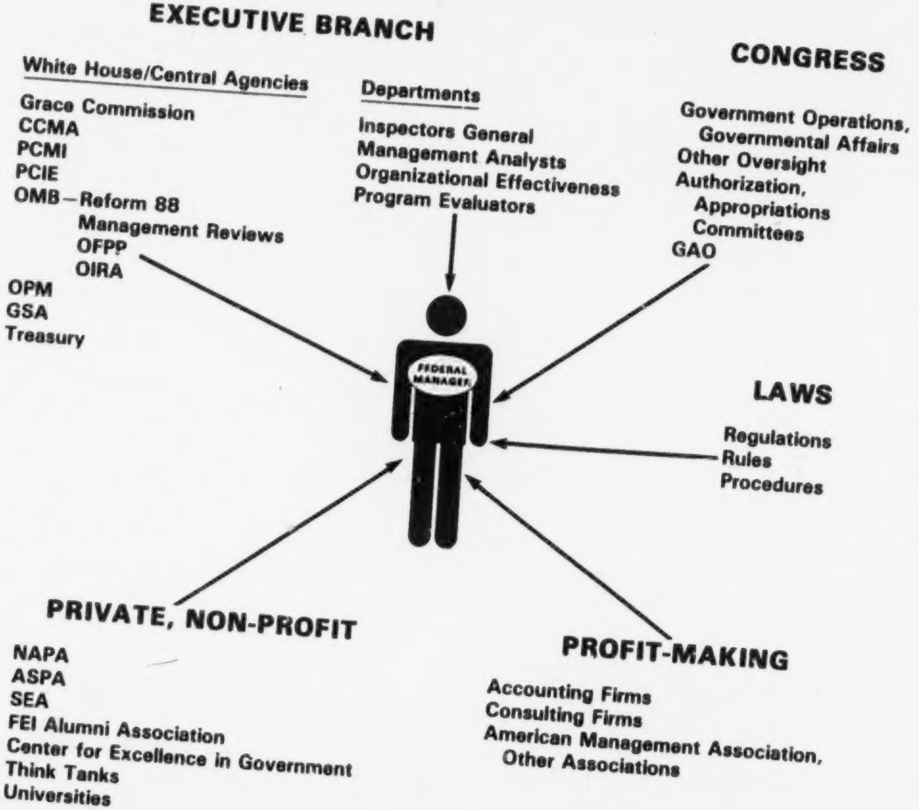
[11] Bowsher, C. A., "Implementation of the Federal Managers' Financial Integrity Act of 1982," testimony before the House Government Operations Committee, May 22, 1984.

[12] U.S. General Accounting Office, Increasing The Department of Housing and Urban Development's Effectiveness Through Improved Management (GAO/RCED-84-9, Jan. 10, 1984, two vols.)

ATTACHMENT I

ATTACHMENT I

ENTITIES "HERE TO HELP" THE FEDERAL MANAGER



EXECUTIVE BRANCH

White House/Central Agencies

- Grace Commission
- CCMA
- PCMI
- PCIE
- OMB—Reform 88
  - Management Reviews
  - OFPP
  - OIRA
- OPM
- GSA
- Treasury

Departments

- Inspectors General
- Management Analysts
- Organizational Effectiveness
- Program Evaluators

CONGRESS

- Government Operations, Governmental Affairs
- Other Oversight
- Authorization, Appropriations Committees
- GAO

LAWS

- Regulations
- Rules
- Procedures

PRIVATE, NON-PROFIT

- NAPA
- ASPA
- SEA
- FEI Alumni Association
- Center for Excellence in Government
- Think Tanks
- Universities

PROFIT-MAKING

- Accounting Firms
- Consulting Firms
- American Management Association, Other Associations

SELECTED MAJOR MANAGEMENT IMPROVEMENT INITIATIVES

WHITE HOUSE

Grace Commission	Federal Management Systems Report — Establish Office of Federal Management — Convert to Common ADP Systems — Link Presidential Objectives, Budgeting, and Agency Plans — Improve Internal Communications — Strengthen Financial Management Personnel Management Reforms Numerous Cost Reduction Proposals
Cabinet Council on Management and Administration (CCMA)	Field Structure Property Management Pay Comparability Reducing the Middle Management Bulge
President's Council on Management Improvement (PCMI)	Formulate Long-Range Plans Implement Improved Management and Administrative Systems Resolve Interagency Management Problems
President's Council on Integrity and Efficiency (PCIE)	Model Prevention Plan Computer Matching Internal Control System Improvements Involving Management Through PCMI

SELECTED MAJOR MANAGEMENT IMPROVEMENT INITIATIVES
(Continued)

OFFICE OF MANAGEMENT AND BUDGET

Reform 88	Reduce Waste and Fraud — PCIE — Debt Collection — Cash Management — Improved Monitoring and Accountability of Program Expendidures Improve Agency Administrative Operations — Consolidate and Streamline Administrative Support Services — Procurement Reforms — Productivity & Staffing Standards — Reduce Non-Personal Resources Build Government-Wide Management Systems — Financial and Accounting — Payroll and Personnel — Real and Personal Property

SELECTED MAJOR MANAGEMENT IMPROVEMENT INITIATIVES (Continued)

OFFICE OF MANAGEMENT AND BUDGET (Continued)

Reform 88 (Continued)	Improve Service Delivery — Computer Matching — Adjusted Payment Schedules — Contractor and Grantee Performance Incentives — Streamlined Field Structure
Field Year 1986 Management Review	Government-Wide Administrative Support Activities — Organization, Management and Staffing Functions — Information Technology — Circular A-76 Productivity Enhancement — Payment Integrity — Financial Management — Administrative Support Systems
	Agency-Specific — Program Delivery Activities — Administrative Support
Agency Management Improvement Plans	Individual Department/Agency Plans

SELECTED MAJOR MANAGEMENT IMPROVEMENT INITIATIVES
(Continued)

CONGRESS

Merit Pay Legislation
Reauthorization of Office of Information and Regulatory Affairs
Reorganization Act Extension
Commission for More Effective Government
Budget Process Revisions
Authorizations, Appropriations

GENERAL ACCOUNTING OFFICE

General Management Reviews
Financial Integrity Act Oversight
Financial Management System Reform
Information Management and Technology Division

SELECTED GOVERNMENT-WIDE MANAGEMENT IMPROVEMENT EFFORTS—1970 to 1980

EXECUTIVE SUMMARY

GAO staff have reviewed 12 Government-wide management improvement initiatives undertaken from 1970, when the Office of Management and Budget (OMB) was formed in 1970 through 1980. These initiatives included OMB management circulars, major special projects and committees, and public laws mandating major management activities.

This paper summarizes these initiatives and presents observations which could be useful in considering how to better sustain major initiatives in the future. Some of our observations are that:

--Time is required to deal with the complexity of reform issues and to institute change in an entity as large as the Federal Government. Time is something most Presidential initiatives have not had, given the rapid turnover in Executive Branch leadership through the 1970s.

--No broad consensus exists about what constitutes good management in the Federal context, thus diminishing the legitimacy of OMB and other central agency criticism of, and advice to, agency managers.

--The record of ineffectiveness in linking management and budget issues calls into question the viability of the original OMB concept.

--All too often, initiatives are begun without careful and comprehensive implementation planning. The resulting record of implementation problems only contributes to a skepticism that any Government-wide improvement initiative can be successful, adding to the burden of building support for subsequent proposals.

--Continuity and dedicated resources appear to be important factors to consider in planning and implementing initiatives.

--A key to successful management reform may lie in demonstrating to the Executive agencies that OMB leadership, backed by the President, is truly behind the reforms.

--A base in statutory authorization appears to be helpful for management initiatives, even though OMB usually opposes this approach.

Although the record does not suggest a most appropriate structure or process for better sustaining management reforms, a review of the literature and discussions with practitioners developed several not mutually exclusive proposals. These include:

--Working within the current structure in the Executive Office of the President by lending support to specific initiatives already underway or planned.

--Fostering full implementation of the Federal Managers' Financial Integrity Act (P.L. 97-255).

--Supporting establishment of a commission for more effective Government.

--Advocating further strengthening of the OMB management function.

--Establishing a separate central organization to address management issues.

--Requiring by statute an annual President's management improvement agenda.

--Supporting the appointment of distinguished career personnel as under secretaries or assistant secretaries for management.

Following completion of our study, a task force of the President's Private Sector Survey on Cost Control issued a report calling for the establishment of a centralized Office of Federal Management (OFM) in the Executive Office of the President, adding expanded policy-making authority for financial management, personnel management, and management information systems to the budget, planning, and evaluation responsibilities that OMB now has. Key features of the proposal include contractual appointments of the OFM associate directors in charge of management improvement, budget and planning, financial management, administration, and human resources, with a direct reporting relationship of the General Services Administration and the Office of Personnel Management to the latter two associate directors.

DEFENSE MANAGEMENT IMPROVEMENT EFFORTS INVOLVING CIVILIAN PERSONNEL

The Department of Defense (DOD) is pursuing a productivity improvement strategy involving four sets of programs affecting the management of its civilian personnel:

--Operational improvements through A-76 commercial activity cost studies and efficiency reviews of non-commercial activities.

--Capital investments to enhance productivity.

--Work force motivation programs.

--Research on civilian personnel issues.

OPERATIONAL IMPROVEMENTS

DOD is requiring each of its commercial and non-commercial support activities to prepare performance work statements which generate savings through better definitions of mission requirements for civilian personnel. Performance work statements establish quantity, quality, and timeliness criteria for the outputs of specific functions. By streamlining their organizations and procedures, activities which had to compete with the private sector under A-76 or undergo efficiency reviews have been able to make significant reductions in their civilian personnel needs. The freed resources can then be reapplied to meet deferred requirements.

CAPITAL INVESTMENTS

The fiscal year 1984 defense budget included $128 million for productivity enhancing capital investments which are standards. The Navy Material Command has experimented with a performance based incentive system at two laboratories in San Diego and China Lake, California. The latter project was intended to demonstrate that mission effectiveness could be increased through a more responsive and flexible personnel management system. The system involves an integrated approach to pay, performance appraisal, and position classification, and it allows greater managerial control over the personnel function.

RESEARCH

DOD supports an active research effort designed to understand how personnel policies and practices affect its work force. The Office of the Secretary of Defense conducts research on civilian personnel issues. The services conduct research through the Navy Personnel Research and Development Center, the Army Research Institute, and the Air Force Human Resources Laboratory. For example, economic modeling techniques are being used to assess how federal compensation policies and proposed changes to them will affect work force retention.

expected to save about $1.1 billion over the life of the investments. Although these funds represent less than one-tenth of one percent of the defense budget, they yield significant returns on investment--approximately $11 for each $1 invested, with internal rates of return exceeding 70 percent. The military services and agencies are encouraged to make such investments by being allowed to reapply savings to valid, unfunded workloads.

An example of such an investment is the project to apply bar code technology throughout the defense logistics system. The $67-million cost of this state-of-the-art technology for inventory control management is projected to be recouped within the first year of operation.

WORK FORCE MOTIVATION

DOD has applied a number of behavioral science techniques to increase the motivation of its civilian work force. The most widely employed technique involves the operation of approximately 1,300 quality circles throughout DOD. DOD believes that quality circles have resulted in tangible and intangible improvements in morale and productivity. One Navy shipyard has reported a return of $3.25 for each dollar invested in quality circles.

There have also been experiments with pay for performance in DOD. The Army and Navy have tested performance-contingent pay systems which return to employees part of the savings achieved where employee performance exceeds established

BUILDING AN EFFECTIVE FINANCIAL MANAGEMENT STRUCTURE

The government must make a major effort to rebuild its financial management structure. Old computer systems must be replaced with more modern technology--a long, expensive process. At the same time, however, this updating creates the opportunity to build a structure that will serve the needs of government and the public in the last decade of the 20th century and beyond.

A modern structure for managing government finances will not cause the budget deficit to disappear nor will it make difficult budget decisions easy. But it can ensure that congressional and executive branch officials receive timely, reliable, and consistent information with which to make those decisions.

The problems with the basic structure of financial management cannot be solved in piecemeal fashion. The problems are too intertwined for that approach. In our judgment, successful reform will require a comprehensive, long-term, integrated approach. The effort should be governmentwide in scope, serving the needs of both the Congress and the executive branch, by ensuring that consistent data are available across agency and department lines. The effort should stress four key elements.

--Strengthened Accounting, Auditing, and Reporting. Effective financial management must start with complete, consistent, and timely information. Government financial systems must be designed to produce such information, andits reliability must be assured through effective auditing procedures.

- --Improved Planning and Programming. Many of the most pressing national issues cannot be adequately considered using a narrow, short-term focus. A modern financial management system should include a structured process for considering those issues, one that focuses attention on major issues, identifies alternative courses of action, and analyzes the issue's probable future consequences. The process must assure that alternatives are accurately and completely costed on the basis of data from the integrated accounting systems.
- --Streamlined Budget Process. To be effective, the federal budget process must focus on budget choices, which must be made more manageable and integrated with the planning, programming, and accounting phases of financial management. Reform is needed in both the Congress and the executive branch. The budget process should exclude any unnecessary repetition, detail and obstacles to action.
- --Systematic Measurement of Performance. Effective management of resources requires examining the results of government activities as well as their costs. An integrated and disciplined financial management system that provides consistent data on cost and performance is essential to help both the Congress and the executive branch assess the efficiency and effectiveness of government operations.

Taken together, these elements form the conceptual foundation of a new financial management structure of which successful implementation of the Financial Integrity Act is an important first step.

Building the structure will require the design and installation of new systems over an extended period. Much of this effort can be accomplished with little additional cost by coordinating new and existing system development activities. An equally important investment must be made in the people who implement and operate the systems. They must be recruited more carefully, trained more thoroughly, and offered a more attractive career path.

In addition, organizational realignments will be needed. Financial operations should be consolidated into more efficient units that use modern technology. Also, responsibilities for interagency policymaking should be clearly assigned.

Finally, all actions must be coordinated to serve the needs of the government as a whole. Because developing a new system is likely to overlap several presidential administrations, it will require firm commitment, clearly identified leadership responsibility, and continuity of purpose. These key ingredients, however, can only exist if supported by a broad and stable bipartisan consenus--including both Congress and the executive branch.

As the first step, discussion and debate are necessary on the nature and extent of our financial management problems. We are confident that open discussion will lead to general agreement that these problems are widespread and serious, and that they warrant a broad rebuilding of the overall structure.

This agreement might best be achieved through a series of congressional hearings that build on prior congressional efforts to improve financial management, such as the 1921 Budget and Accounting Act, the 1950 Budget and Accounting Procedures Act, and the 1982 Federal Managers' Financial Integrity Act. These hearings could result in the passage of a bill or resolution setting forth the objectives of the long-term rebuilding effort, identifying the leadership for the effort, and specifying an initial timetable. A comprehensive list of objectives might include:

- cost-based budgeting and accounting;
- strengthened accounting, auditing and reporting, using consistently applied and comprehensive accounting principles and standards;
- reports for major projects showing planned versus actual costs and accomplishments;
- consolidated financial statements for the federal government, audited annually;
- full disclosure of costs and financial commitments for all government activities;
- greater visibility for capital investments within the unified budget;
- a structured approach, such as planning and programming, for considering the long-term consequences of major policy choices;
- a more manageable and understandable federal budget process;

- performance information that is integrated with the financial management structure and reports.

Organization and leadership of that effort will be critical. The effort may be led by the General Accounting Office and the central financial management agencies--Treasury and OMB--through the Joint Financial Management Improvement Project. All those who will be affected by the new system, including the Congress, and the operating departments and agencies, must have a strong voice in its design. The system must serve the needs of all participants.

GAO has published an exposure draft of two documents explaining this concept in greater detail (GAO/AFMD-84-43 and 43A, March 1984).

GENERAL MANAGEMENT REVIEW CONCEPT AND APPROACH

The General Accounting Office is undertaking a major initiative aimed at focusing attention on the need for a continuing commitment to management improvement in the Executive Branch and demonstrating how management can be improved within each department and agency. Recognizing that principal responsibility for management improvement rests with the departments, GAO plans to conduct management reviews in each department and major independent agency. Another long range objective, to be pursued after a number of departmental reviews are completed, is to identify and address government-wide management issues and evaluate the performance of the central management agencies.

Indicative of the importance the Comptroller General has given to this effort, a panel of distinguished former government executives is being formed to provide counsel to the GAO management review teams. These individuals, as well as persons intimately familiar with each Department's programmatic issues, will be consulted throughout the reviews.

Representing a departure from GAO's more narrowly focused program reviews, the departmental management reviews will more comprehensively address a broad range of management functions and assess how improvements in the management functions can improve each department's execution and delivery of programs and services. The management functions we plan to include in our work are: general management, planning and budgeting; financial management; information resources management; procurement; productivity management; audits and evaluations; and personnel management.

In performing these reviews, we will select policy and administrative initiatives for review to demonstrate how these seven functional areas interrelate and impact a program's or organization's performance. In this regard, we will attempt to identify cause-and-effect relationships between the management functions and the problems that exist in the execution and delivery of programs and services. To facilitate this effort, we will develop a general profile of each department which will provide an overall understanding of the mission, organization, programs, staff, budget size, and major policy issues.

These reviews will generally be completed in a 15-18 month period and result in a comprehensive report to the Congress. To make these reviews as useful as possible, we will also meet regularly with appropriate departmental officials to brief them on our progress and provide them our observations at the earliest possible time.

Senator **Bingaman**. Mr. Ardolini is our next witness.

TESTIMONY OF CHARLES W. ARDOLINI, CHIEF, DIVISION OF INDUSTRY PRODUCTIVITY AND TECHNOLOGY STUDIES, BUREAU OF LABOR STATISTICS, U.S. DEPARTMENT OF LABOR, ACCOMPANIED BY DONALD FISK, SENIOR ECONOMIST, DIVISION OF INDUSTRY PRODUCTIVITY AND TECHNOLOGY STUDIES

Mr. **Ardolini**. Good morning, Mr. Chairman. With your permission I would like to briefly summarize the testimony that we have prepared for this hearing.

Senator **Bingaman**. Before you start, let me just say, for the benefit of anyone here, that I understand your position is Chief of the Industry Productivity and Technology Studies Division of the Bureau of Labor Statistics.

Mr. **Ardolini**. Yes.

Senator **Bingaman**. You are going to talk to us about productivity measurement trends in the Federal Government, among other things?

Mr. **Ardolini**. Right.

Senator **Bingaman**. Mr. Fisk is with your same organization.

Mr. **Ardolini**. Mr. Fisk is the project director of this project.

Most of the Bureau's work in the productivity area concerns the private sector but for the past 12 years, we have been involved in measuring Federal productivity. We collect the data, develop productivity measures, and return these measures to the Federal agencies for their use.

The importance of improving productivity in the Federal Government has been discussed widely. As you probably know, there are about 2.8 million civilian employees and another 2.1 million uniformed personnel in Federal service. Federal expenditures are estimated at about $850 billion, with $112 billion for employee compensation alone. Clearly even a small improvement in productivity can lead to a large reduction in Government costs or, alternatively, increased output for the same cost. The GAO—I think it was Mr. Anderson's unit—estimated that a 1-percent increase in Federal productivity might yield savings as high as $1 billion.

My remarks today deal with productivity measurement as a tool in this process. It is one of many tools that managers can draw on to assess their operations. Productivity measurements can tell managers how their current performance compares with their past performance, how their performance compares with their goals and how their organization compares with similar types of organizations. Thus, a productivity measurement system can provide some useful yardsticks. While managers can improve productivity without these yardsticks, it certainly makes the job easier and makes a productivity improvement program more powerful.

There are several types of productivity measures, and each one provides different insights into different problems. One can view these as a spectrum of productivity measures where at one end of the spectrum we have the operational measures, such as work measurement, which quantify the use of human resources under a given set of technological conditions. Here the focus is on steps in the production process.

In the middle of the spectrum, we have the efficiency-type productivity measures where we are looking at organizational use of resources. Our focus in the Bureau of Labor Statistics has traditionally been on this type of measure. That is, we want to see how efficiently an organization is utilizing its labor resources to produce final outputs.

And at the other end of the spectrum, we have effectiveness-type measures where the focus is on how well the agency or the organizational unit is meeting the goals of that organization.

Today I would like to focus on the labor productivity measure and present some background on the Federal productivity measurement system. The system started back in the early 1970's when Senator Proxmire sent a letter to Elmer Staats, then Comptroller General of GAO, requesting a study on what was happening to Federal productivity. An interagency team was established—Civil Service Commission, Office of Management and Budget, GAO—which investigated the feasibility of measuring Federal productivity. The conclusion was affirmative and data were collected for the purpose of developing productivity measures. During this period the BLS provided technical support to the interagency team.

In 1973, the BLS was charged with being the official data collector for this system. Other agencies, such as the Joint Financial Management Improvement Program, the National Center for Productivity and Quality of Working Life, and the Office of Personnel Management [OPM], had the role of conducting the productivity improvement aspects of this project.

In 1982, OPM, which was playing the lead management role, at that time declined to issue the call for data collection and Senator Percy, who was holding some hearings similar to this one, requested the Bureau of Labor Statistics to collect the data to extend the measures to 1982. At that point in 1982, there was really no central management group directing the Federal productivity measurement project.

Basically, this is what the system looks like today. Each year, Federal agencies, with 200 or more employees, are requested to provide data on their outputs, the labor used to produce the outputs and the compensation paid the employees producing the outputs. Using these and other data, the Bureau computes indices of productivity, unit labor costs, average hourly compensation and other related measures. The indices and other statistics are returned to the participating organizations, such as the Internal Revenue Service and the Bureau of Public Debt, for their own use. The statistics are also summarized for each agency, such as the Department of the Treasury. In addition, these organizational units are arranged into 28 relatively homogeneous groupings so that we can develop functional productivity measures within the Government. Examples of the functions are auditing, loans and grants, regulation and transportation. Additionally, we develop an overall summary index for the entire sample. Our sample now includes about 47 agencies, employing about 62 percent of the Federal civilian labor force.

One of the most difficult parts of the project is the specification and measurement of output. There are many conceptual, analytical, and data problems associated with deriving these output measures. In general, the output measures focus on the final products or services leaving the organization being measured.

For some agencies, such as the Postal Service and TVA, it is relatively easy to specify the outputs that flow from those organizations. In the case of the Postal Service, the number of pieces of mail by type that the Postal Service handles; for the Tennessee Valley Authority, the number of kilowatt-hours of electricity generated.

For an agency such as the Bureau of Labor Statistics which not only produces statistical information but also analytical research, the definition and measurement of output is more complicated. In our own bureau, we develop over 200 separate output measures in which we count the number of statistical series and the number of reports stratified by type and complexity.

However, there is a third category of agencies where final outputs are difficult or impossible to specify, such as the diplomatic activities at the State Department. Similarly, in many of the research groups in agencies such as NASA, it is very difficult to define their outputs and quantify them. In these cases, we do have output indicators for some of their support services. These support services are not the outputs that flow from the agency, but they are useful as management tools.

We currently include over 3,400 different output indicators in the Federal system. These output measures reflect the work of the organization being measured. They do not necessarily reflect the outcomes or effectiveness of the measured agency. The EPA measures, for example, reflect the direct production of that organization, such as the number of inspections made, tests conducted and contracts written—not the impact of the EPA operations on the Nation's environment. Similarly, with the Social Security Administration, we measure the number of checks and not the impact of these checks on the economy or on people.

Let's look briefly at what these data show. For the period fiscal 1967 to fiscal 1982, which is the duration of this series, productivity in the overall sample has increased at about the rate of 1.5 percent a year. Many people ask us how this compares with the private sector, and it just so happens that it is about the same.

Senator BINGAMAN. Is this the output column on your table 1?

Mr. ARDOLINI. No, output per employee year. And that productivity figure represents an increase of 1.4 percent in output during this period and a very small decrease in the labor hours of the sample we have in our system.

Overall statistical trends are interesting as a general indicator but not very useful for individual agency managers. To assist the individual manager, as I mentioned, the Federal statistics are divided into 28 relatively homogeneous functional groupings and productivity trends are computed for each group. Long-term productivity trends for the 28 functions differ dramatically, ranging from an 11.8 percent annual growth rate for communications to a 1.5 percent annual decline for electric power and distribution. The overall trend is 1.5 percent. These functional numbers give you insights into some of the areas in Government where productivity is below the average and above the average.

Each of the 28 functions, except for the Postal Service, is comprised of two or more individual organizational elements. By grouping organizations with like outputs together, it is possible to compare the performance of similar organizations. That is, it gives managers another point of comparison.

A productivity increase of 5 percent or 10 percent, for example, will be quite good for most organizations, but if like organizations on the average increase 18 percent, as is the case for financing and accounting in fiscal 1982, then a somewhat different light is cast on the organization's rate. An organization that shows no productivity growth might be thought of as in need of improvement. But if the overall function decreases 5.1 percent, as is the case for loans and grants in 1982, then no change does not seem that bad.

Our data show that there is tremendous diversity in productivity growth within the functional areas, thus indicating potential opportunities for productivity improvements. The General Accounting Office has estimated that if those organizations which fall below their functional average were to raise their level to the average of the function, there would be significant cost savings.

While our experience in BLS has been primarily in the production of productivity statistics, I have been asked to comment on the use of the data by Federal agencies. Federal productivity statistics have been used to set directions for improvement across Government as a whole, across functional areas and within individual agencies. As I noted earlier, the GAO has used the statistics to estimate potential cost savings and the Grace Commission also used these statistics to estimate savings. The measures have also been used by the lead agencies of the project concerned with productivity improvement, such as the Joint Financial Management Improvement Program and the National Center. These efforts included conducting workshops, helping develop improved measures, advising on the development of work standards and identifying and sharing of improved work methods.

Probably the greatest potential payoff in using productivity statistics is within the agencies themselves. As I noted, we return the Federal productivity statistics to the participating agencies for their own internal use. These statistics have a number of potential uses, for example, in setting goals, estimating and allocating resources, et cetera. These uses are more fully developed in the complete testimony, and I will conclude there.

Senator BINGAMAN. Thank you very much. Let me just ask a couple of questions. You indicate that 62 percent of the Government is now participating in the collection of this information which you then turn into productivity indicators.

Mr. ARDOLINI. We have about 400 organizational units reporting to the project, and these 400 organizational units represent about 62 percent of the Federal civilian employment.

Senator BINGAMAN. Do you do anything with regard to the military in these statistics?

Mr. ARDOLINI. No. This is one area where we have difficulty measuring the output. Conceptually, it is very difficult to measure.

Senator BINGAMAN. When that group met in response to Senator Proxmire's letter, did they determine that these productivity measurements would not work with regard to defense agencies?

Mr. **Ardolini**. No, not directly. The Department of Defense represents a third of our sample. We have many of their support services such as military base services. We measure the outputs and productivity of activities like laundries. So the DOD is a very large contributor to our system, but with regard to some of those units that are dealing with the actual defense of the country, then that is a different story.

Senator **Bingaman**. You are measuring from the civilian side of the Defense Department.

Mr. **Ardolini**. Right.

Senator **Bingaman**. Let me just ask a final question. Do you see any significant improvements that can be made in the collection or use of this information, or is it something that you feel is about as useful as it can be considering the limitations on the use of this kind of information in the Federal Government? What are your thoughts?

Mr. **Ardolini**. I think the system could be broadened to include more units. I think the more units you have in it the more meaning it has in terms of making comparisons and such. I think that in some areas, the state of the art of productivity measurement is not that high, and we could certainly work more in some of these difficult-to-measure areas to try to develop meaningful-type indicators for managers.

Senator **Bingaman**. That is about all the questions I have. We have several other witnesses. I appreciate your testimony, and we may call on you again. Thank you.

[Mr. Ardolini's prepared statement, with an attachment, follows:]

STATEMENT OF
CHARLES W. ARDOLINI
CHIEF, DIVISION OF INDUSTRY PRODUCTIVITY AND TECHNOLOGY STUDIES
BUREAU OF LABOR STATISTICS
BEFORE THE
U.S. SENATE
SUBCOMMITTEE ON CIVIL SERVICE, POST OFFICE, AND GENERAL SERVICES
OF THE
COMMITTEE ON GOVERNMENTAL AFFAIRS

September 19, 1984

"Productivity Measurement as a
Tool in Federal Management
Improvement"

Mr. Chairman and Members of the Committee:

I appreciate the invitation to appear here today to discuss ways that productivity measurement can be used as a tool to improve Federal management. As the Government's producer of productivity statistics the Bureau of Labor Statistics calculates both private sector and government statistics. For 12 years we have calculated Federal productivity statistics, and returned them to individual Federal organizations for their own use.

The importance of improving productivity in the Federal government is much discussed. As you know, there are 2.8 million civilians and another 2.1 million uniformed personnel in Federal service. Federal expenditures are estimated at about $850 billion, with $112 billion for employee compensation alone (all figures for FY 1984). Clearly, even a small improvement in productivity can lead to a large reduction in government costs or alternatively increased output for the same cost. The GAO estimated that a 1 percent increase in Federal productivity in fiscal year 1982 could save $1 billion. 1/

There are a number of examples where productivity data have been used by Federal agencies. We also know of agencies which do not use productivity statistics even though they collect them, and of cases where agencies have collected and used the data one year but not even collected the data the following year.

The point I would like to make here is that productivity measurement is a diverse, dynamic tool. It is one of many tools that managers can draw on to assess their operations. Like most other tools, it will not lead to improved management by itself but it can be of great value if used correctly.

1/ Increased Use of Productivity Management Can Help Control Government Costs, Washington: General Accounting Office, November 10, 1983, p. 10.

Productivity measurements can tell managers how they compare with others, how their current performance compares with their past performance, and how their performance compares with their goals. A productivity measurement system can provide a yardstick. It provides an objective basis for assessing an organization's efficiency and whether it is improving. While managers can improve productivity without a measurement system, a productivity measurement system can make a productivity improvement program much more powerful.

There are many different types of productivity measures. Indeed, different measures are needed to answer different questions and solve different problems. Operational measures, such as work measurement, show how productivity is changing in the short run, such as day-to-day or week-to-week, with a given set of technology. The focus is on steps in the production process. Efficiency measures, such as labor productivity, show how organizational output or production is changing given the labor input used to produce the output. The focus is on organizational output; technology and other factors are permitted to change. Effectiveness measures, such as the degree of improvement in the nation's health, show how well agency goals are being met or the consequences of government operations.

Today I would like to focus on one type of productivity measure, specifically, labor productivity measures that are produced as part of the Federal Productivity Measurement System (FPMS). I would like to begin by discussing the history of the Federal system, the types of measurements we routinely produce and some of the results that flow from this work. Next I would like to discuss the potential use of productivity data, and lastly I will review some examples of how productivity data are used in the Federal Government.

History of the Federal Productivity Measurement System

The Federal Productivity Measurement System (FPMS) was developed in the early 1970's in response to a Congressional request which asked whether Federal productivity could be measured. 2/ There was considerable interest during this period in the rapid growth of government employment, particularly State and local government. This growth in turn led to the question of how government productivity was changing.

The response to the 1970 Congressional inquiry led to the establishment of a working group comprised of representatives of the Office of Management and Budget (OMB), Civil Service Commission (CSC), General Accounting Office (GAO) and Bureau of Labor Statistics (BLS) which investigated the subject in depth. The conclusion of this group was that productivity could be measured for a large part of the Federal government, and the group recommended that a permanent measurement system be established. In June, 1973 a program was established by the Office of Management and Budget. Under this program OMB was responsible for general policy guidance, including the issuance of the annual directive to collect the data. The BLS was given responsibility for the collection of the data and construction

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2/ Letter from Senator William Proxmire to Elmer Staats, Comptroller General of the U.S., September 21, 1970.

of the productivity indexes. The Civil Service Commission was charged with personnel management issues. The General Services Administration was given responsibility for assisting other agencies in installing work measurement programs and automating operations. Finally, the Joint Financial Management Improvement Program (JFMIP) [3]was directed to analyze the data, pinpoint the reasons behind any change in productivity, and prepare an annual report to the President and Congress.

In 1975 the National Center for Productivity and Quality of Working Life was established (Public Law 94-136), and the enabling legislation assigned responsibility for Federal productivity efforts, including the FPMS, to the National Center. While the National Center provided general direction, including issuance of the annual FPMS data call, BLS continued to develop and analyze the data and construct the Federal measurement indexes.

The National Center's operating authority was allowed to lapse on September 30, 1978 and the operating authority for the FPMS was subsequently shifted to the Civil Service Commission, and later to the Office of Personnel Management when it was established. BLS continued to process and tabulate the data, and return them to the supplying organizations. In 1982 OPM declined to issue the data call, and withdrew as manager of the productivity measurement system.

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[3] The Joint Financial Management Improvement Program is a joint undertaking of the Office of Management and Budget, the General Accounting Office, the Department of the Treasury, and the Office of Personnel Management to improve Federal management practices. The program was initiated in 1948, and was given statutory authortization in the Budget and Accounting Procedures Act of 1950.

In response to a Congessional request 4/, BLS stepped in at this point and issued the data call, compiled the statistics and returned them to the providing organizations. The Bureau also issued the data call for fiscal 1983, and is currently analyzing the data and returning them to the participating organizations.

Process and Scope

Each year each Federal agency with 200 or more employees is requested to provide data on its outputs, the labor used to produce the outputs, and the compensation paid the employees producing the outputs. Using these and other data the Bureau computes 6 indexes for each organization: output, labor input, total compensation, compensation per employee year, output per employee year, and unit labor cost.

The indexes and other statistics are returned to the participating organizations for their own use. Examples of participating organizations are the Internal Revenue Service, Bureau of the Public Debt and Comptroller of the Currency. The statistics are also summarized for each agency, such as the Department of the Treasury. In addition, the statistics are summarized into 28 functional groupings, such as auditing, loans and grants, regulation and transportation; and overall summary indexes are computed for the measured part of the Federal government.

4/ Letter of Senator Charles H. Percy to Janet L. Norwood, Commissioner, Bureau of Labor Statistics, June 3, 1983.

The functional and summary statistics are published in several different sources, and made available to the public. Agency and department statistics, however, are provided only to the participating organizations.

The FPMS indexes currently cover fiscal years 1967-1982. In fiscal 1982, 47 agencies employing 62 percent of the Federal civilian labor force, or 1.7 million civilian employee years, were included in the measurements. An agency within this context is either a department such as the Department of Defense, a commission such as the Nuclear Regulatory Commission, or a specialized agency or administration such as the Small Business Administration. Several Congressional agencies, including the Government Printing Office and the Library of Congress, also participate in the FPMS.

Output Measurement

A major concern and certainly one of the most difficult parts of the Federal measurement system is the specification and measurement of output. There are many conceptual, analytical and data problems in deriving the output measures. As with our private sector measurements, the FPMS focuses on the final product or service of the organization being measured.

For some Federal agencies the specification and measurement of outputs is straightforward. The enterprise services, such as the Postal Service, Tennessee Valley Authority and St. Lawrence Seaway, have tangible outputs that are relatively easy to measure. There are other Federal organizations which serve the general public for which it is also possible to specify outputs. These include organizations that dispense grants and write checks, such as the National Science Foundation and the Social Security Administration. Other organizations for which it is possible to readily specify outputs are the information producing agencies such as the Bureau of Labor Statistics and regulatory agencies such as the Environmental Protection Agency.

We also measure the outputs of some organizations that serve other parts of the Federal government, such as the Office of Personnel Management. But there are a number of Federal agencies for which final outputs are difficult or impossible to specify. Examples are the national security and research and development agencies such as the Department of Defense and the National Bureau of Standards. For these organizations we attempt to measure the outputs of their intermediate activities such as their personnel, supply and audit operations. Examples of output measures for these activities are the number of supply requisitions processed and audits conducted.

The output measures used in the FPMS are all final output measures of Federal organizations. However, in some cases they are not final outputs of the Federal government since some of the outputs are used by other Federal agencies. Our indexes reflect the productivity of the measured parts of the Federal government, not the productivity of the Federal government. In this respect our Federal measures differ from our private sector measures, which include only final industry outputs, that is, outputs sold in the market place.

Our Federal output measures, as with our private sector measures, reflect the work of the organization being measured. They do not necessarily reflect the outcomes or effectiveness of the measured agency. The EPA measures, for example, reflect the direct production of that organization--e.g., number of inspections made, tests conducted and contracts written--not the impact of EPA operations on the nation's environment. Likewise the output of the Social Security Administration is measured by the number of checks written, not the impact of having written the checks.

Additionally, quality concerns are important issues in measuring organizational output, and we attempt to account for quality shifts by differentiating the government service output. Safety inspections, custodial services and personnel actions are grouped by type or class. As with our private sector industry measures we strive to group together outputs with similar unit labor requirements. The FPMS currently includes over 3,400 different output measures, but some of these reflect aggregations of different units so there are actually many more outputs than 3,400.

Summary Results

Let me turn at this time to some of the summary statistics that have been produced for the Federal system. Between fiscal years 1967-82 output per employee year for the entire measured sample increased at an average annual rate of 1.5 percent (Table 1). The year-to-year changes in productivity over the 16 year period ranged from a decline of 0.5 percent in 1974 to an increase of almost 3.0 percent in 1977. The gains in productivity reflect an average annual increase of 1.4 percent in output and a very small decrease of 0.1 percent in labor input.

Compensation per employee year, which includes salaries, wages and fringe benefits, increased at an average annual rate of 8.4 percent between 1967 and 1982. Unit labor cost, or the labor cost per unit of output, which reflects changes in employee compensation and productivity, increased at an annual rate of 6.8 percent as productivity lagged behind increases in compensation.

While unit labor cost has increased every year, the rate of increase has slowed over the measured period. Between 1967-72 the increase was 7.6 percent, between 1972-77 it was 7.3 percent and between 1977-82 it was 5.9 percent. This is a reflection of both a slowdown in the increases in compensation and an increase in the growth of productivity during this period. Between 1967-72 compensation increased at an annual rate of 9.4 percent, between 1972-77 at 8.5 percent, and between 1977-82 at 7.7 percent. In the case of productivity the figures are 1.3, 1.5, and 1.7 percent, respectively.

Overall statistical trends are interesting as a general indicator but are not very useful for individual agency managers. To assist the individual manager the Federal statistics are divided into 28 relatively homogenous functional groupings, and productivity trends are computed for each group. We also compute output, input, compensation and unit labor costs for each group. Thus we provide the managers with a series of trends so that they can compare their organization's change with those of like organizations.

Long term productivity trends for the 28 functions differ dramatically, ranging from an 11.8 percent annual growth for Communications to a 1.5 percent annual decline for Electric Power and Distribution (Table 2). The overall Federal productivity trend, as noted above, is a 1.5 percent annual gain. Most functions show positive productivity increases over the long term. Three functions--Electric Power, Printing and Duplication, and Legal and Judicial Services--show negative rates of change over the long term.

A variety of factors are responsible for individual functional productivity change. Since my time is limited I would like to briefly discuss 5 of the 28 functions. In the case of Communications, which shows the largest increase in productivity (11.8 percent) of any function and is the only function which shows a long term drop in unit labor cost, equipment modernization has been cited as the most important consideration behind the increase. This has permitted a very large annual increase in output (10.8 percent) with a small decrease (-0.9 percent) in employee years. Private sector telecommunications productivity also increased at a rapid rate during this period. 5/

5/ Productivity Measures for Selected Industries, 1954-82, Washington: Bureau of Labor Statistics, December 1982.

The Military Base Service function, which includes such activities as housing, laundry, commissary and fire protection, shows a sizable decrease in output (-3.6 percent) and input (-3.9 percent). The net result is a slight increase in productivity (0.3 percent). Other functional areas with substantial Department of Defense input, such as auditing and equipment maintenance, show similar patterns of change.

In the case of Printing and Duplication there has been a long term drop in productivity, output and input. This has been fostered by a move to greater use of self-service copy centers, increased private sector contracting of service and a cut back in the number of government documents published. Collectively these actions have led to a decrease in long term output (-3.2 percent), and in response to these cuts employment has been cut. The cuts in employment lagged the cuts in output and as a result productivity has decreased.

Finance and Accounting, which includes internal government operations such as payroll and voucher operations, and final government operations, such as Treasury bill and bond sales, has shown productivity improvement in every year except 1972 and 1973. The long term (1967-82) trend is 3.8 percent, the medium term (1977-82) trend is 8.4 percent, and the 1982 increase is 17.9 percent. These large increases, particularly in the most recent years, reflect the automation of operations.

There has been a sizable drop in Electric Power Production and Distribution productivity, particularly in recent years. In fiscal 1982, productivity dropped 26.6 percent. The sharp drop in electric power productivity in 1982 is a continuation of a trend that started before the oil embargo of 1973. Since 1972 the average annual decrease has been 4.4 percent. Private sector electric power productivity has been relatively flat during this period. 6/

Each of the 28 functions, except for the Postal Service, is comprised of 2 or more individual organizational elements. For fiscal 1982 the Loan and Grants function, for example, is comprised of 36 different organizational elements drawn from 11 different departments and agencies. Information Services is comprised of 22 elements, Procurement is made up of 17 elements, Equipment Maintenance 14, and Library Services 8. However, Traffic Management contains only 2 elements.

By grouping organizations with like outputs together it is possible to compare the performance of similar organizations. That is, it gives managers another point of comparison. A productivity increase of 8.6 percent, for example, would be quite good for most organizations, but if like organizations, on the average, increased at 17.9 percent (as is the case for Financing and Accounting in fiscal 1982) then a somewhat different light is cast on the situation.
An organization that shows no productivity growth might be thought of as in need of improvement, but if the overall function

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6/ Ibid.

decreases 5.1 percent (as is the case for Loans and Grants in fiscal 1982) then no change does not seem bad. To further highlight this point I would like to briefly review the activity dispersion of 3 functions--Finance, Information Services and Loans.

The Finance and Accounting function, which is made up of 21 organizations, shows an increase in productivity of 17.9 percent in 1982, with organizational changes running from a 37.8 percent increase to a 10.8 percent decline. The organizations are drawn from 12 different departments and agencies. The organization with the largest increase in productivity reflects an increase in output and a large decrease in input. The organization with the largest decrease in productivity reflects decreasing demand but increasing employee years.

The Information Service function, which shows a 2.3 percent increase in productivity in fiscal 1982, is comprised of 22 different organizations. These include the Bureau of Census, the National Weather Service, and the USIA Broadcast Service. Productivity change ranged from a 32.3 percent increase to a 12.2 percent decline. The agency with the greatest increase registered a large drop in output, but an even greater drop in input. The agency with the greatest drop in productivity also registered a drop in output and input, but the decrease in output was larger than the decrease in employment.

The Loans and Grants function, which registered a 5.1 percent drop in productivity in 1982, is made up of 36 organizations including the National Science Foundation, the Small Business Administration and the Export-Import Bank. Productivity shifts ranged from 30.4

percent to a minus 37.9 percent. The 30.4 percent increase was registered by an organization with a large drop in output, but an even larger cut in employment. The 37.9 percent drop in productivity reflects a very large cutback in output and a small cutback in employment.

I mention these 3 functions to show the tremendous diversity in productivity growth within the functional areas and to indicate potential opportunities for productivity improvement. The General Accounting Office has estimated that if those activities which fall below their functional mean were raised to the functional average then there would be significant savings.7/

Opportunities for Improving Federal Decision Making

While our experience in BLS has been primarily in the production of productivity statistics I have been asked to comment on the use of the data by Federal agencies. In this part of my testimony I have drawn heavily on the work of others and our discussions with the operating agencies. I have divided this part of my discussion into 3 segments--overall national policy formulation, aggregate Federal management decision making, and organizational decision making.

National policy decision making is an area in which productivity statistics are routinely used. They are used in forecasting national income, projecting labor demand, formulating national wage policies

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7/ Increased Use of Productivity Management Can Help Control Government Costs, Washington: U.S. General Accounting Office, November 10, 1982, p. 10.

and assessing areas of growth. 8/ It is common practice when working in this area to assume no change in government productivity or a change similar to that of the private sector. Depending on the actual government change, either assumption could lead to erroneous decisions. 9/ Government employment (Federal, State, and local) accounts for about 14 percent of the nation's labor force, and while the Federal labor force is only a small part of the total government labor force, it is the only part for which BLS routinely calculates productivity. The summary Federal statistic--output per employee year--is the Federal productivity statistic most often requested of all the Federal productivity statistics BLS produces.

Federal productivity statistics also have been used to set directions for improvement across the government as a whole, across functional areas and within individual agencies. As I noted earlier the General Accounting Office has used the statistics to estimate potential cost savings, and the Grace Commission also has used FPMS statistics to estimate savings. 10/

There has also been very active use of FPMS by central authorities. The Joint Financial Management Improvement Program, the National Center for Productivity and Quality of Working Life and the

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8/ Measurement and Interpretation of Productivity, Washington: National Academy of Sciences, 1979, pp. 19-32.

9/ Jerome A. Mark, "Progress in Measuring Productivity in Government," Monthly Labor Review, December, 1972, pp. 3-6.

10/ Analysis of Grace Commission's Major Proposals for Cost Control, Washington: The U.S. Congress (CBO and GAO), February 1984, pp. 14-5.

Office of Personnel Management each worked with individual agencies and groups of agencies to improve productivity. These efforts included conducting workshops, helping develop improved measures, advising on the development of work standards and identifying and sharing of improved work methods.

Probably the greatest potential payoff in using productivity statistics is in internal agency operations. As I noted above we return the Federal productivity statistics to the participating agencies for their own internal use. Also, many Federal agencies have their own internal productivity measurement systems. These statistics have a number of potential uses. I would like to briefly discuss 8 of them--goal setting, resource estimation, budget justification, organizational change, operational control, resource reallocation, motivational improvement and accountability. 11/

Goal Setting. Improving productivity is a goal of most agencies, but in many cases these goals are quite general. To be meaningful a goal setting process should be specific and tailored to the organization. A productivity measurement system, such as the FPMS, can lend specificity to this process. The Civil Service Reform Act of 1978 helped in the process by making productivity improvement

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11/ For elaboration of these points see: Implementing A Productivity Program: Points to Consider, Washington: Joint Financial Management Improvement Program, 1977, p. 18, and Brian Usilaner, "Productivity Measurement: A Management Tool," GAO Review, Fall, 1976, pp. 54-9.

part of the standards of the Senior Executive Service(SES). A recent General Accounting Office study found that about one-third of the SES standards included criteria which specifically addressed productivity. 12/ Also some merit pay standards also include productivity improvement as a specific requirement.

Resource Estimation. Long range planning and programming can often be improved by making allowance for projected changes in productivity. Such estimates are often based on past trends but they need to be tempered or adjusted to take into account such factors as changes in demographics, expansion or reduction of the number of facilities, economies of scale and new technology, all considerations which will affect productivity trends. Good productivity data can help sort out important variables and their impact on resource estimates.

Budget Justification. The annual OMB budget instructions (A-11) require that all executive agencies include productivity information as part of their annual budget submissions. FPMS and internal productivity measurement systems can be helpful tools in complying with the OMB request. OMB is primarily interested in labor saved as a result of productivity improvements. Capital expenditures, and other one-time budget requests can often be justified by the amount of labor saved as a result of productivity improvements.

12/ An Assessment of SES Peformance Appraisal Systems, Washington: General Accounting Office, May 16, 1984, p. 8.

Organizational Change. Any dramatic change in productivity, positive or negative, should alert a manager to the need for careful review of the organization and its operations. In many instances there will be a logical explanation for such shifts. For example, such shifts often arise as a result of abrupt changes in demand, such as that which occurred when sales of Treasury bills escalated in response to increased interest rates. Dramatic drops can also occur, such as when the cuts in the purchase of electricity caused productivity to plummet.

Organizational change and management initiatives can also be evaluated using the FPMS and other productivity measurement systems. Changes in work schedules, use of new machinery, redesign of jobs and use of quality circles, are candidates for evaluation.

Operational Control. Productivity measurement systems are often used for operational control. Such systems need to have a short time horizon, such as work measurement systems, that deal with intermediate outputs for smaller organizational groups. While the FPMS can be used to track long term trends, it is not generally adequate for day-to-day, month-to-month, or even quarterly comparisons.

Resource Reallocation. Productivity measures, particularly the lower-level measures, can also be of help in reallocating resources during budget review and execution. Unforeseen changes in workload will require shifting of resources, and in such cases productivity measures can help in identifying the best course of action.

Motivational Improvement. A productivity measurement system can provide incentive for an organization and its employees to excel. Some Federal organizations use FPMS and other productivity measurement systems as a tool to identify employees for special recognition and awards. Other organizations use the measurements as part of the basis for promotion.

Accountability. A productivity measurement system encourages managerial accountability by making explicit what is often implicit. It quantifies what is often qualitative. It can be used to highlight good performance and document poor performance. It can be used to assess how well Senior Executive Service and merit pay productivity-based pay standards are being met. At summary levels it can be used to demonstrate to the public, in very specific terms, the productivity performance of the government.

Examples of the Use of Productivity Statistics in Federal Management

While time does not permit a comprehensive summary of how productivity statistics are used in the Federal government in each of these 8 areas, I would like to present several examples drawn from 5 organizations. In each case individual organization productivity statistics are used for operational planning and control and feed into the FPMS.

Defense Logistic Agency

The Defense Logistic Agency (DLA), which supplies equipment and consumables to the Department of Defense (DOD), has about 50,000 employees. The Agency operates 6 supply centers, 6 supply depots, 6 logistic service centers and 9 contract administration regions. The DLA fills DOD military supply needs, as specified by the military services, through its procurement, storage, distribution and contract administration functions.

Productivity measurement is an integral part of DLA's operating procedures. The measures are used in establishing goals, managing operations and developing budgets.

Productivity statistics are used in the development of the Agency's budget and staffing requirements each year. The process starts by estimating the workload for each program. Staffing standards are then applied to the estimates to obtain a gross staffing estimate. These figures are then adjusted to take into account estimated changes in productivity gains.

Each year DLA headquarters provides to each field activity an operating budget which includes workload and staffing estimates. Activity managers are permitted to shift employees during the year to respond to workload shifts, but the managers are expected to meet or exceed the productivity rate set in the budget.

Most of DLA's productivity goals reflect historical growth rates with adjustments for internal and external factors. The Agency has recently begun to expand its use of engineered work standards to reflect the time it "should take" to perform a function. DLA plans to develop work standards for 60 percent of the Agency labor force.

Defense Mapping Agency

The Defense Mapping Agency (DMA), which provides mapping, charting and geodetic service to the Department of Defense, employs about 8,700 civilians and operates on a budget of about $590 million (all figures for fiscal 1984). There are 6 major organizational elements in the agency, 2 of which are production centers, 1 a distribution center and 1 a cartographic and geodetic school. The agency produces about 250 basic product lines and services.

The DMA productivity measurement system was established, shortly after the agency was created in 1972, in direct response to a 1971 study which identified major deficiencies in defense mapping. The study found that in some areas (e.g., Navy air, air target and coastal navigation) 1/2 to 1/4 of all the charts were outdated and needed to be revised. This study also noted that no additional resources would be forthcoming to meet Defense Department needs, and any progress in meeting the shortage would have to come from more efficient operations. One part of the response to this challenge was for DMA to establish a formal, productivity measurement system so that DMA managers would know how productivity was changing in each organization, and for each product, so that resources could be reallocated to those areas in the greatest need.

The DMA tracks the productivity of its organizations using a system of standardized output measures. Many measures are straightforward such as the number of maps produced, surveys taken and persons trained. Engineered work standards are used to set standards for most products and services. Productivity is computed for individual services/products, for each center and for DMA as a whole. Agency summary statistics are reported annually to the Office of the Secretary of Defense and included in the Federal productivity system.

The productivity data are an integral part of internal DMA operations. They are used in establishing staffing requirements for the 5-year defense program; these reflect projected productivity changes. They are used in budget formulation and justification, and during budget year execution they are used to reallocate staff from areas of higher than expected productivity to areas in need of additional staffing. They are used as the basis for determining awards to the Center with the greatest productivity increase and, when possible, to individuals making unique productivity contributions. Finally, they are used in military efficiency ratings and civilian performance reviews.

Federal Energy Regulatory Commission

The Federal Energy Regulatory Commission (FERC) has about 1700 employees and a fiscal 1984 budget of $92 million. The Commission regulates interstate natural gas production and transmission, hydroelectric production and dam safety, oil pipeline transmission and electric power transmission. Businesses pay about two-thirds of the Commission's operating cost through a schedule of fees and charges.

Since its inception FERC has calculated its productivity as part of the FPMS but the Commission has recently embarked on an ambitious program to expand and improve its productivity measurement efforts and their use. The Commission has established a goal of 3 percent productivity improvement in fiscal 1984. Furthermore, Commission management is using productivity improvement as one of the factors to be measured in setting SES performance standards, and it is also including them in some merit pay contracts. 13/

13/ FERC Can Improve Its Operational Performance by Broadening and Deepening Current Management Efforts, Washington: General Accounting Office, January 30, 1984, p. 5.

Also the Commission is moving to implement a number of changes to improve its productivity. These include increased use of office automation equipment, establishment of employee incentive awards, provision of additional training and expansion of the management information system.

The Executive Director meets monthly with FERC's office and technical directors to review work in process. These sessions include a review of workload and productivity. Office directors also review productivity with their divisions on a regular basis. Productivity statistics are included in the Commission's management information system. And as noted above productivity assessment is now included as part of SES and some merit pay appraisals.

Social Security Administration

The Social Security Administration has measured its productivity for several decades. With 82,000 employee years and an administrative budget of about $3.5 billion, productivity change can have a major impact on the agency budget and personnel requirements. In fiscal 1983 Social Security managers estimated that productivity increased 6.6 percent which saved about 5,700 employee positions.

Productivity measures reflect, for the most part, Social Security work programs and generally match specific work categories such as initial enrollment, appellate processes and servicing of beneficiaries. Social Security tracks 68 different output measures or work units. These measures cover every major line component and several staff components. About 90 percent of the Social Security positions are covered by these productivity measures.

Productivity measurement is an integral part of Social Security management. Estimates of future staff needs take into account projected productivity changes. Workloads are projected for each agency, and staffing estimates are made which are then adjusted to reflect estimated changes in productivity. Productivity is commonly affected by policy changes required by law, increased automation and modification of work flow. Budget requests and justifications also reflect projected productivity changes. Continuing analysis of productivity is performed as part of the budget execution process, and resources are reprogrammed if projected productivity improvements are not achieved. Work measurement and productivity data are used to monitor field office operations, and comparisons are made of productivity of different field offices. Twenty-one "high-performing, high-productivity" district offices are currently being examined in order to identify the reasons for their outstanding performance. The intent is to transfer the exemplary practices to other offices.

Veterans Administration

The Veterans Administration (VA), which has 220,000 employees and a 1984 budget of $26 billion, has participated in the Federal measurement system since its inception. Each of the 3 major operating departments--Veterans Benefits, Medicine and Surgery, and Memorial Affairs--and the Board of Veterans Appeals has a productivity measurement system to help in the management of internal operations. Summary results from each of these systems are fed into the Federal system.

The Department of Veterans Benefits measures each of its service areas, including compensation/pensions, counseling/rehabilitation, education, loan guarantees, insurance and veterans assistance. There are 7 basic indicators, and each reflects a combination of different work activities. As part of its resource estimation process, the Department makes 3 year projections which take into account projected workload and productivity changes in each area. The productivity estimates for each year start with past average yearly change and are adjusted accordingly to reflect proposed internal changes (such as a new word processing or computer system). Productivity statistics are also used for budget justification, reallocation of resources once the budget plan is developed and finally to establish managerial accountability.

The Board of Veterans Appeals uses productivity statistics in much the same manner but also carries measures down to the individual employee level. Unit labor requirements are calculated for each of 89 specific actions undertaken by individuals who work for the Board. Performance standards, which are differentiated by grade level, have been developed and published for employee reference. Many personnel actions, including promotions and demotions, are based on a comparison of individual performance with these work standards.

In the Veterans Administration we find a comprehensive work measurement/productivity system that is used for goal setting, resource estimation, budget justification, operational control and accountability. It is a system which has evolved through time and for which there is continuing management commitment.

Conclusion

In this testimony I have attempted to give a brief overview of productivity measurement and its use in the Federal Government. The size and diversity of the government and the diverse nature of productivity measurement itself complicates any attempt to briefly summarize our current position. There are many different productivity systems and many examples of managers and agencies that routinely use productivity measures. There are also examples of where they are not used. Productivity measurement can be a very powerful tool to improve management and efficiency. It is the individual manager who decides whether the tool will be used to improve government efficiency.

At this time I would be pleased to try to answer any questions you might have.

Table 1

TOTAL FEDERAL SAMPLE

INDEXES OF OUTPUT PER EMPLOYEE-YEAR AND RELATED DATA, FY 1967-82

FISCAL YEAR (1977=100)	OUTPUT PER EMPLOYEE-YEAR	OUTPUT	EMPLOYEE-YEARS	COMPENSATION PER EMPLOYEE-YEAR	UNIT LABOR COST
1967	86.5	86.4	99.9	43.9	50.7
1968	87.5	89.6	102.5	46.1	52.7
1969	89.6	92.5	103.3	49.5	55.3
1970	90.0	92.8	103.1	55.1	61.3
1971	91.4	94.0	102.8	61.5	67.3
1972	92.0	94.2	102.4	66.0	71.7
1973	94.6	95.7	101.2	69.9	74.0
1974	94.1	95.9	101.9	75.7	80.4
1975	93.5	97.5	102.1	83.0	86.9
1976	97.1	98.3	101.1	91.8	94.5
1977	100.0	100.0	100.0	100.0	100.0
1978	101.7	102.3	100.6	106.8	105.1
1979	102.3	103.1	100.7	113.7	111.2
1980	104.5	106.1	101.5	123.2	117.9
1981	107.0	107.6	100.5	134.9	126.0
1982	108.4	108.8	100.4	143.5	132.4
YEAR-TO-YEAR PERCENT CHANGES					
1967-68	1.1	3.7	2.6	5.1	4.0
1968-69	2.4	3.2	0.8	7.3	4.8
1969-70	0.5	0.3	-0.2	11.3	10.8
1970-71	1.6	1.3	-0.3	11.6	9.8
1971-72	0.6	0.2	-0.4	7.3	6.6
1972-73	2.8	1.5	-1.2	6.0	3.1
1973-74	-0.5	0.2	0.7	8.2	8.8
1974-75	1.5	1.6	0.1	9.7	8.1
1975-76	1.7	0.8	-0.9	10.6	8.7
1976-77	2.9	1.8	-1.1	8.9	5.8
1977-78	1.7	2.3	0.6	6.8	5.1
1978-79	0.6	0.7	0.1	6.5	5.8
1979-80	2.1	2.9	0.8	8.3	6.0
1980-81	2.4	1.4	-1.0	9.5	6.9
1981-82	1.3	1.1	-0.2	6.4	5.1
AVERAGE ANNUAL RATES OF CHANGE (PERCENT)*					
1967-82	1.5	1.4	-0.1	8.4	6.8

* AVERAGE ANNUAL RATES OF CHANGE BASED ON THE LINEAR LEAST SQUARES TREND OF THE LOGARITHMS OF THE INDEX NUMBERS.

SOURCE: OFFICE OF PRODUCTIVITY AND TECHNOLOGY, BUREAU OF LABOR STATISTICS, U. S. DEPARTMENT OF LABOR. DECEMBER 15, 1983

Table 2

Total and Functional Average Annual Rates of Change 1/ in Output Per Employee-Year and Related Data for the Measured Portion of the Federal Civilian Government, Fiscal Years 1967-82

Functional Groupings	Output Per Employee-Year	Output	Employee-Years	Compensation Per Employee-Year	Unit Labor Cost
Total Federal Sample	1.5	1.4	-0.1	8.4	6.8
Audit of Operations	1.4	-1.1	-2.5	7.1	5.6
Buildings and Grounds Maintenance	3.5	1.4	-2.1	8.6	4.9
Communications 2/	11.8	10.8	-0.9	7.5	-3.8
Education and Training 3/	2.0	-0.6	-2.6	7.7	5.5
Electric Power Production & Distribution	-1.5	6.3	8.0	7.4	9.0
Equipment Maintenance 3/	0.8	-2.1	-2.9	7.9	7.1
Finance and Accounting	3.8	1.5	-2.2	7.6	3.7
General Support Services	4.6	6.4	1.7	6.6	1.9
Information Services	0.5	1.2	0.7	6.1	5.6
Legal and Judicial Activities	-0.2	4.0	4.2	6.1	6.3
Library Services	5.0	7.8	2.7	8.2	3.0
Loans and Grants	3.5	4.4	0.8	7.6	3.9
Medical Services	0.1	1.9	1.8	7.8	7.7
Military Base Services	0.3	-3.6	-3.9	7.3	6.9
Natural Resources & Environment Mgmt	1.2	1.4	0.2	7.1	5.9
Personnel Investigations	3.6	6.8	3.1	6.9	3.2
Personnel Management	1.6	3.2	1.6	5.5	3.9
Postal Service	1.3	1.0	-0.3	9.7	8.3
Printing and Duplication	-0.7	-3.2	-2.5	8.6	9.3
Procurement	3.1	1.4	-1.7	5.5	2.3
Records Management	3.6	-0.1	-3.6	7.2	3.5
Regulation-Compliance and Enforcement	2.2	4.7	2.4	7.1	4.8
Regulation-Rulemaking and Licensing	2.7	5.2	2.5	6.8	4.1
Social Services and Benefits	2.3	5.7	3.3	7.3	4.9
Specialized Manufacturing	3.1	-0.1	-3.1	8.5	5.3
Supply and Inventory Control	1.7	-3.7	-5.4	7.0	5.2
Traffic Management 4/	2.9	-1.1	-3.9	5.7	2.7
Transportation	2.8	2.9	0.1	8.0	5.1

1/ Average annual percent change based on linear least squares of the logarithms of the index numbers.
2/ Fiscal years 1973-82.
3/ Fiscal years 1968-82.
4/ Fiscal years 1972-82.

SOURCE: Bureau of Labor Statistics, U. S. Department of Labor

Senator **Bingaman**. Our next witnesses are General Fulwyler from White Sands Missile Range accompanied by Renee Sisson, Mike Manzanares, and Thomas Chacon. We appreciate them being here. I should say that when I was touring White Sands several months ago, I was particularly impressed with the information I received on the quality circle program that has been instituted there on base. That was one reason that we asked General Fulwyler to come and testify today. Obviously, we look forward to his testimony on that subject and any other subject that he feels is relevant.

TESTIMONY OF MAJ. GEN. NILES J. FULWYLER, COMMANDER, WHITE SANDS MISSILE RANGE, DEPARTMENT OF THE ARMY, WHITE SANDS, NM, ACCOMPANIED BY RENEE SISSON, QUALITY CIRCLE MANAGER; MIKE MANZANARES, QUALITY CIRCLE LEADER; AND THOMAS CHACON, QUALITY CIRCLE MEMBER

General **Fulwyler**. First of all, we from White Sands are honored to have been asked to come here. We are a little bit further down the Government chain than the previous two gentlemen who testified, but we feel the level of Government is not dependent on whether we can contribute to improving management of the Federal Government.

I thought I would add greater credibility to this testimony this morning if I brought my people with me who are directly involved in quality circles.

For those who are not familiar with White Sands Missile Range as you are, Senator, we are the largest all-over-land test range in the free world. I have responsibility for the largest military reservation in the United States, more than 2 million acres. For those who want to know what that size is, that area is larger than the States of Rhode Island, Connecticut, and the District of Columbia.

On White Sands range, we have all kinds of very sophisticated instrument-gathering equipment and optics. We are the best instrument range also in this country. We have a work force that numbers between 10,000 and 12,000 personnel. An example, I have about 1,500 military. I have some 2,700 to 3,000 contractor personnel. Then I have 4,500 civilians. It is among this work force who do a multitude of functions to keep this large range in operation that we found the quality circle effort to be most productive.

We, too, believe that is a very innovative approach to management. I can certainly vouch for its success at White Sands. In order to tell you more about quality circles, I have asked Ms. Sisson to discuss what quality circles are and how they work. Then, with my two other members, together we will take questions and answers. We are very honored to be here, Senator, to represent New Mexico and White Sands. Renee?

Ms. **Sisson**. I would like to tell you a little bit about our quality circles.

Our quality circles are small groups of employees who work together and perform similar duties. In most respects, they are very much like the quality circles which are becoming popular in many industries and Government agencies, which have been adapted from the Japanese model and implemented in many private industries and Government agencies here in the United States. Participation in our quality circles is totally voluntary. Employees who choose to participate meet 1 hour per week on duty time to identify, analyze, and solve problems which they encounter in the process of carrying out their work.

Our earliest quality circles were in the skilled blue-collar areas and they included welders, machinists, electricians, plumbers, and the like. We have since begun to bring on line a number of quality circles in white-collar areas involving occupations which range from engineering to clerical support.

The concept is adaptable enough to accommodate the needs and the focus of these various occupations.

A productive quality circle doesn't happen overnight. Before beginning to operate in a circle, employees who volunteer are provided with training in systematic problem solving, group dynamics and creative thinking techniques, and quality circle operations. They learn effective teamwork and acquire skills in presenting their recommendations to management. This is the type of training that traditionally has been reserved for the managerial work force.

For most of our people involved in the quality circles, this is the first opportunity they had to acquire and utilize those kinds of skills. Once trained, the quality circle members immediately begin to identify problems in their work areas that are of concern to them. With only a minimum of restrictions, the circles choose the problems they wish to solve.

This autonomy leads to commitment in solving the problems and to making the solutions work. What we have discovered is that employees are concerned with the same kinds of things which are important to management. They are thwarted by the problems which keep them from doing their jobs quickly and responsively or which adversely affect the quality of their work. They respond enthusiastically when they are given the opportunity and the skills to remove some of these impediments.

In the first 1½ years of operation, our quality circles analyzed and offered solutions to a wide variety of problems at White Sands dealing with things like work processes, space, tools, equipment, materials, and training of employees.

Every presentation has been impressive and the recommended solutions have been approved in almost every case. As an example, let me describe the work of one of the circles.

A quality circle, calling themselves the Flamekeepers because of their work as heating equipment mechanics, were experiencing problems with the ordering and stocking of materials for the jobs. Warehouse procedures often resulted in stocking the wrong materials or not enough of the right materials.

There was lack of coordination occasionally between estimators in the shop which sometimes resulted in ordering the wrong types of materials. Procurement personnel, in their attempt to find cheaper suppliers, frequently ordered repair parts from another maker that were not interchangeable.

The result was jobs being delayed for reordering of parts, makeshift repairs with wrong parts, and call-backs due to the equipment failure. Not infrequently their inability to complete a job resulted in delays of missile testing.

Moreover, the employees suffered because they could take no pride in the work that was done improperly. The solutions they recommended primarily involved changing procedures to promote the coordination and eliminate guesswork in ordering and stocking of parts and materials. Because the problem was one that was affecting other shops as well, the Flamekeepers joined forces with another quality circle in the electrical shop to further analyze the total process.

Jointly, they reported to their director and to General Fulwyler. As a result of their efforts, changes which could be accomplished within the organization have been made. And with the backing of top management, coordination is taking place throughout the procurement and supply process so that further improvements can be made. Improvements in productivity from implementing these changes is valued conservatively at over $20,000 annually for the heating shop alone, and taking other shops into consideration, that figure amounts to considerably more.

But more importantly, the removal of what has been a chronic problem for the employees of this quality circle, and other employees in the shops, has had a profound impact on their sense of pride and accomplishment. The circle is really excited and proud to have received the attention of top management in helping them resolve a problem that has been plaguing them for years.

Another example is a group calling themselves the Weedeaters. These are a combination of gardeners and pest controllers. They are charged with keeping the ground in the target areas around the missile range clean, attractive, and usable. This circle attacked a series of problems related to the down-time of their equipment or lack of or inaccessibility of their tools, causing unproductive time and frequently resulting in overtime to get the work done. Their equipment spent a lot of the time in the shop, costing more every year in repairs than the original purchase price. The crews were having to return to the base sometimes from many miles out on range either to make minor repairs or substitute working equipment. The circle recommended purchase of new equipment and tools to make minor repairs in the field.

They also implemented procedural changes that resulted in better communications between the crews. The savings of time, gasoline, and repair parts amounted to over $30,000 for 1 year's operation. But the benefits in the area of worker morale, pride, and self-confidence were extremely dramatic for this group.

The tangible dollar savings generated by these and other quality circle recommendations are significant in that quality circles are more than paying their way. They provide us with a cost-benefit ratio of almost 2½ to 1. But the tangible benefits are paled by the benefits we are realizing in the areas which are difficult to measure.

Both employees and supervisors overwhelmingly believe the work is improving due to the solutions that have been implemented because of quality circles. They report to us improvements in efficiency, responsiveness, quality, and safety. There have been a number of general benefits, a kind of positive fallout from quality circles.

We have seen improvement in communications between circle members and between the shops involved in quality circles and, thus, better efficiency. The employees in quality circles have the satisfaction of greater contact with their managers and they are receiving immediate feedback on their recommendations.

The frustrations of working under less than ideal conditions is lessened as the circles learn they can make changes within their work place and remove even some of the most chronic problems that they once accepted as permanent conditions.

We found, too, the quality circle members feel good about their new skills. They have greater self-confidence and greater feelings of self-worth. The benefits just described basically add up to worker motivation, employees with the power and desire to accomplish their jobs in ways that promote satisfaction with their work and achievement of organizational goals.

To us, this is really better than money in the bank. The circles we have been describing are all within organizations that have been slated for commercial activity studies. Needless to say, the news that their jobs are under study for possible contracting out has had a debilitating effect on their job satisfaction, their security, and on their feelings of identity within the organization. But those employees who are participating in quality circles have received that news a bit more optimistically than their colleagues who have not been participating in quality circles.

They believe through quality circles they stand a far better chance of competing successfully to retain those functions in-house. The managers of those organizations agree with that assessment.

Our unions are also in agreement. The union officials at White Sands Missile Range have been very supportive of our quality circle effort. They recognize quality circles as a concept which is mutually beneficial to management and to unions. Quality circles exist at White Sands Missile Range alongside programs designed to enhance productivity, such as value engineering and the employee suggestion program.

All of these programs complement one another. They produce a network of encouragement which we believe will profoundly influence the productivity of the range and quality of the service we provide. These programs also contribute toward the development of a climate where individuals feel they are important and where they are appreciated.

What this means is they take pride in what they are doing and in the product they are turning out. General Fulwyler and I believe this is an important lesson for Government as a whole.

We are continuing to expand our quality circle program. We will continue to develop circles in blue-collar areas and also will be adding new circles in many of our high-technology areas where the work is very technical and the work is quite sophisticated. We anticipate even greater tangible savings than those we have already seen materialize, and we are confident we will continue to make improvements in the less measurable but highly important areas of worker morale and motivation.

White Sands Missile Range has made a commitment to invest heavily in its employees. To our way of thinking, this has been a wise investment.

General **Fulwyler**. Senator, I can say as the commander of that range, I am very impressed by this process. I have seen all kinds of tangible benefits from it, and I think probably most important of all, I see a great increase in the feeling of teamwork, of close coordination and a feeling of mutual commitment to our mission at White Sands. I think that does have applicability elsewhere.

I am very happy to say this morning, we had a briefing at the headquarters Department of the Army. While we have quality circles in different places in the Army, they were very much impressed with our particular program and asked us to kind of take the lead and be their experts and help export what we have at White Sands throughout the Army, which we intend to do.

So, again, we are happy now to take any questions, and I have two members of our quality circles here. Mike, here is actually one of the foremen and one of the quality circle leaders, and Tom is a member of one of our quality circles. I have the spectrum, and we will be happy to answer any questions you might have.

Senator **Bingaman**. Thank you very much. I appreciate the testimony. Let me just ask where the initiative to establish this came from? Was this something which the Department of the Army encouraged, or was it something which was locally decided upon? What was the motivating factor to bring about the establishment of these quality circles?

General **Fulwyler**. We, of course, had quality circles in the Army for some time. Not all installations have them. At White Sands, the idea was in about 1981 when, through our organizational effectiveness and staff there, the commander at that time, Major General Nord, thought it was worth the time, and we tried to establish an experiment, I guess, at that time.

Upon completion of that, we thought it was worthwhile. At that time, Ms. Sisson came along. She is in our civilian personnel office. We gave her the task of becoming the program manager. I provided additional spaces for her. She has herself and three others, I believe, now. They tried to formalize it and systemize the establishment of it. It started out slowly, and since that time, we have grown to what we have today which is some 24 circles.

I must say, I think the important ingredient of establishing such a procedure or quality circle is that it is absolutely mandatory that you have the full and wholehearted support of the management.

After I became aware of this and looked at what some of the results were, I wholeheartedly endorsed this, and I have encouraged all my directors and all my senior managers to get involved and to see what we can do about establishing additional circles.

It makes sense for the work force and it makes sense for the management and it makes sense for the Army.

Senator **Bingaman**. Let me ask, Mike, if you could describe briefly the nature of the circle. You are head of one of these circles. Maybe you can describe what your group does and your reactions, and what kind of success you have had.

Mr. **Manzanares**. I am a foreman for the heating, ventilating and air conditioning section. We are called the Flamekeepers. We have worked on shop equipment, material. We built a new lab down there that was originally going to run us about $10,000. We got together with other shops. We built it for less than $1,500.

The people are the ones that are running the quality circle. They are putting all the input in. They are eliminating the work for the supervisors. I am all for it. I have got a lot of free time now where I can do other things administrative instead of having to be out there in the field telling the personnel what to do. It is really working.

Senator **BINGAMAN**. How long have you been in this quality circle, the one you are involved in?

Mr. **MANZANARES**. This quality circle I have been in, involved with, going on the second year now.

Senator **BINGAMAN**. Thank you very much. Tom, are you in the same quality circle Mike is referring to?

Mr. **CHACON**. No. I am a member of the Weedeaters, land management section.

Senator **BINGAMAN**. What is your reaction there? You have had some good successes, according to what Renee was saying. Is that accurate?

Mr. **CHACON**. Yes. Our first problem was due to loss of time. Because our equipment was so old, we were losing more time and money because it spent so much time in the shop. Our equipment cost us about half from what we were actually spending on it each year. Because of loss of time, it has spent about 197 days in shop, and it was costing us twice as much to keep it going than what it originally cost us. We did do a problem solving and we solved the problem and now we are coming out ahead in the long run.

General **FULWYLER**. As a matter of fact, Mr. Chairman, to give you an idea of our savings, although in the terms of the budget you deal with it is very small, we estimated our quality circles have saved over half a million dollars for White Sands. That is, resources that would have been spent elsewhere that we wouldn't have had to use to do other things with.

Senator **BINGAMAN**. Let me just thank all of you for coming. General, I want to commend you for this program. I think it is very useful, and I think it is one that needs to be expanded to the rest of the military and perhaps the Federal Government. I know it has been successful. I am encouraged that it will be successful for the entire public sector as well. I appreciate your coming and testifying before us today. We will see what we can do in Congress to encourage this kind of activity elsewhere in the Federal Government.

General **FULWYLER**. Thank you very much, Mr. Chairman.

Senator **BINGAMAN**. Thank you.

[Major General Fulwyler's prepared statement follows:]

TESTIMONY FOR THE SENATE SUBCOMMITTEE
ON CIVIL SERVICE, POST OFFICE, AND GENERAL SERVICES

19 SEPTEMBER 1984, 1000 HOURS

BY

MAJOR GENERAL NILES J. FULWYLER

I AM MAJOR GENERAL NILES J. FULWYLER, COMMANDER OF WHITE SANDS MISSILE RANGE. I AM HAPPY TO APPEAR BEFORE THIS SUBCOMMITTEE TO DISCUSS QUALITY CIRCLES, A PROGRAM WHICH HAS PROVEN TO BE QUITE SUCCESSFUL FOR US. WITH ME TODAY ARE RENEE SISSON, THE MANAGER OF OUR QUALITY CIRCLE PROGRAM, THOMAS CHACON, A MEMBER OF ONE OF OUR QUALITY CIRCLES, AND MICHAEL MANZANARES, A SUPERVISOR AND LEADER OF A QUALITY CIRCLE.

WHITE SANDS MISSILE RANGE IS AN ARMY INSTALLATION UNDER THE U. S. ARMY MATERIEL COMMAND, LOCATED IN SOUTHERN NEW MEXICO. THE PRIMARY MISSION OF THE RANGE, WHICH IS THE LARGEST OVERLAND TESTING AREA IN THE UNITED STATES, IS TO TEST AND EVALUATE MISSILES AND OTHER MATERIEL FOR ARMY, AIR FORCE, NAVY, NASA, AND FOR ALLIED COUNTRIES. WE HAVE A CIVILIAN WORK FORCE OF ALMOST 4,400, IN ADDITION TO SOME 1,400 MILITARY, AUGUMENTED BY ABOUT 2,700 CONTRACT PERSONNEL.

TO CARRY OUT OUR MISSION, WE MAINTAIN 4,000 SQUARE MILES OF TESTING RANGE COVERED WITH FACILITIES AND SOPHISTICATED INSTRUMENTATION NETWORKS NECESSARY TO TRACK MISSILES AND EVALUATE THEIR PERFORMANCE. WHILE THE MAJORITY OF OUR EMPLOYEES ARE IN HIGHLY TECHNICAL FIELDS, THERE IS A SIZABLE PART OF OUR WORK FORCE ENGAGED IN THE MAINTENANCE OF THE FACILITIES, CARRYING

OUT THE MANY FUNCTIONS ASSOCIATED WITH KEEPING A LARGE INSTALLATION SUCH AS OURS OPERATING AS IT SHOULD. ALMOST 1,000 EMPLOYEES, CLOSE TO A QUARTER OF OUR WORK FORCE, IS ENGAGED IN CONSTRUCTING AND MAINTAINING FACILITIES, PROVIDING WATER, POWER, HEATING, COOLING AND SEWAGE DISPOSAL, MAINTAINING OUR FLEET OF VEHICLES, CATALOGING OUR VAST AMOUNTS OF EQUIPMENT AND PERFORMING HUNDREDS OF OTHER FUNCTIONS WITHOUT WHICH THE LARGE SCALE DIVERSE MISSILE TESTING WITH WHICH WE ARE CHARGED COULD NOT BE CARRIED OUT. IT IS HERE AMONG THESE EMPLOYEES THAT WE BEGAN OUR QUALITY CIRCLE EFFORT IN JANUARY 1983. SINCE THAT TIME, WE HAVE REALIZED SIGNIFICANT BENEFITS IN PRODUCTIVITY, QUALITY OF WORKMANSHIP, SAFETY, AND, PERHAPS MOST IMPORTANTLY, WORKER MORALE.

OUR QUALITY CIRCLES ARE SMALL GROUPS OF EMPLOYEES IN THE SAME WORK UNIT WHO PERFORM SIMILAR DUTIES, GENERALLY UNDER THE SAME FIRST LINE SUPERVISOR. IN MOST RESPECTS THEY ARE VERY MUCH LIKE THE QUALITY CIRCLES WHICH ARE BECOMING POPULAR IN MANY INDUSTRIES AND GOVERNMENT AGENCIES IN THE UNITED STATES, AFTER HAVING BEEN ADAPTED FROM THE JAPANESE MODEL DEVELOPED IN THE EARLY 1960's. PARTICIPATION IN OUR QUALITY CIRCLES IS TOTALLY VOLUNTARY. EMPLOYEES WHO CHOOSE TO PARTICIPATE MEET FOR ONE HOUR PER WEEK ON DUTY TIME TO IDENTIFY, ANALYZE, AND SOLVE PROBLEMS WHICH THEY ENCOUNTER IN THE PROCESS OF CARRYING OUT THEIR WORK.

OUR EARLIEST QUALITY CIRCLES ARE IN SKILLED BLUE COLLAR OCCUPATIONS, AND INCLUDE WELDERS, MACHINISTS, ELECTRICIANS, PLUMBERS, CARPENTERS, GARDENERS AND PEST CONTROLLERS.

ALTHOUGH THE MAJORITY OF OUR CIRCLES ARE STILL IN THE BLUE COLLAR TRADES, WE HAVE SINCE BEGUN TO BRING ON LINE A NUMBER OF QUALITY CIRCLES IN WHITE COLLAR AREAS INVOLVING OCCUPATIONS RANGING FROM ENGINEERING TO CLERICAL SUPPORT. THE CONCEPT IS ADAPTABLE ENOUGH TO ACCOMMODATE THE NEEDS AND FOCUS ON THIS WIDE RANGE OF OCCUPATIONS.

A PRODUCTIVE QUALITY CIRCLE DOES NOT HAPPEN OVERNIGHT. BEFORE BEGINNING TO OPERATE IN A CIRCLE, EMPLOYEES WHO VOLUNTEER ARE PROVIDED WITH TRAINING IN SYSTEMATIC PROBLEM-SOLVING, GROUP DYNAMICS, CREATIVE THINKING TECHNIQUES, AND QUALITY CIRCLE OPERATIONS. THEY ARE PROVIDED WITH THE TOOLS AND TECHNIQUES WHICH ENABLE THEM TO ORGANIZE DATA, SORT CAUSES FROM EFFECTS, AND TO ANALYZE THE IMPACTS OF THEIR PROBLEMS, INCLUDING QUANTIFICATION OF TANGIBLE IMPACTS. THEY LEARN HOW TO MAXIMIZE THEIR GROUP'S EFFORT THROUGH EFFECTIVE TEAMWORK, AND THEY ACQUIRE SKILLS IN PRESENTING THEIR RECOMMENDATIONS TO MANAGEMENT. THIS TYPE OF TRAINING HAS TRADITIONALLY BEEN RESERVED FOR THE MANAGERIAL WORK FORCE--FOR MOST OF THE INDIVIDUALS IN OUR QUALITY CIRCLES, THIS HAS BEEN THEIR FIRST OPPORTUNITY TO ACQUIRE AND UTILIZE SUCH SKILLS.

ONCE TRAINED, THE QUALITY CIRCLE GROUPS IMMEDIATELY BEGIN TO IDENTIFY THE PROBLEMS IN THEIR WORK AREAS WHICH ARE OF CONCERN TO THEM. WITH ONLY A MINIMUM OF RESTRICTIONS, THE CIRCLES CHOOSE THE PROBLEMS WHICH THEY WILL TACKLE. WITH THIS AUTONOMY, THE MEMBERS BECOME EVEN MORE COMMITTED TO SOLVING THE PROBLEMS AND TO MAKING THE SOLUTIONS WORK. WE HAVE

DISCOVERED THAT EMPLOYEES ARE CONCERNED WITH THE SAME KINDS OF THINGS WHICH ARE IMPORTANT TO MANAGEMENT. THAT IS, THEY ARE THWARTED WITH THE PROBLEMS WHICH KEEP THEM FROM DOING THEIR JOBS QUICKLY AND RESPONSIVELY, OR WHICH ADVERSELY AFFECT THE QUALITY OF THEIR WORKMANSHIP. THEY RESPOND ENTHUSIASTICALLY WHEN GIVEN THE OPPORTUNITY AND THE SKILLS TO REMOVE SOME OF THESE IMPEDIMENTS.

IN THE FIRST YEAR AND A HALF OF OPERATION, QUALITY CIRCLES ANALYZED AND OFFERED SOLUTIONS TO A WIDE VARIETY OF PROBLEMS AT WHITE SANDS DEALING WITH WORK PROCESSES, SPACE, TOOLS AND EQUIPMENT, MATERIALS, AND TRAINING OF EMPLOYEES. EVERY PRESENTATION HAS BEEN IMPRESSIVE, AND THE RECOMMENDED SOLUTIONS HAVE BEEN APPROVED IN PRACTICALLY ALL CASES.

AS AN EXAMPLE, LET ME DESCRIBE THE WORK OF ONE OF THE CIRCLES. A QUALITY CIRCLE CALLED THE FLAMEKEEPERS, A GROUP OF EQUIPMENT MECHANICS IN THE HEATING, VENTILATION, AND AIR CONDITIONING SHOP, WERE EXPERIENCING PROBLEMS WITH THE ORDERING AND STOCKAGE OF MATERIALS FOR THEIR JOBS. WAREHOUSE PROCEDURES OFTEN RESULTED IN STOCKING THE WRONG MATERIALS OR NOT ENOUGH OF THE RIGHT MATERIALS. LACK OF COORDINATION BETWEEN THE ESTIMATORS AND THE SHOP SOMETIMES RESULTED IN ORDERING THE WRONG PARTS OR MATERIALS. PROCUREMENT PERSONNEL, IN THEIR ATTEMPT TO FIND CHEAPER SUPPLIERS, FREQUENTLY ORDERED REPAIR PARTS FROM ANOTHER MAKER THAT WERE NOT INTERCHANGEABLE. THIS RESULTED IN JOBS BEING DELAYED FOR REORDERING OF PARTS, MAKESHIFT REPAIRS WITH THE WRONG

PARTS, AND CALL BACKS DUE TO EQUIPMENT FAILURE. NOT INFREQUENTLY, THEIR INABILITY TO COMPLETE A JOB RESULTED IN DELAYS OF MISSILE TESTING. MOREOVER, THE EMPLOYEES SUFFERED BECAUSE THEY COULD TAKE NO PRIDE IN WORK DONE IMPROPERLY. THEY WERE FRUSTRATED BY THE DELAYS AND FELT THAT THEIR INABILITY TO PROVIDE PROMPT SERVICE REFLECTED POORLY ON THE IMAGE OF THEIR SHOP. THE SOLUTIONS THEY RECOMMENDED PRIMARILY INVOLVED CHANGING PROCEDURES TO PROMOTE COORDINATION AND TO ELIMINATE GUESSWORK IN THE ORDERING AND STOCKING OF PARTS AND MATERIALS. BECAUSE THE PROBLEM WAS ONE THAT WAS AFFECTING ALL OF THE SHOPS, THE FLAMEKEEPERS JOINED FORCES WITH ANOTHER QUALITY CIRCLE IN THE ELECTRICAL SHOP TO FURTHER ANALYZE THE TOTAL PROCESS, AND JOINTLY THEY REPORTED TO THEIR DIRECTOR, TO ME, AND MY CHIEF OF STAFF. AS A RESULT OF THEIR EFFORT, MANY OF THE CHANGES WHICH COULD BE ACCOMPLISHED WITHIN THE ORGANIZATION HAVE BEEN IMPLEMENTED. WITH THE BACKING OF THEIR DIRECTOR, COORDINATION IS TAKING PLACE WITH OTHER ORGANIZATIONS INVOLVED IN THE PROCESS, AND SIGNIFICANT PROGRESS IS BEING MADE. THE IMPROVEMENTS IN PRODUCTIVITY FROM IMPLEMENTING THESE CHANGES IS VALUED CONSERVATIVELY AT OVER $20,000 ANNUALLY FOR THE HEATING SHOP ALONE, AND WILL AMOUNT TO CONSIDERABLY MORE TAKING THE OTHER SHOPS INTO CONSIDERATION. THE REMOVAL OF WHAT HAS BEEN A CHRONIC PROBLEM FOR THE EMPLOYEE OF THIS CIRCLE AND ALL OF THE EMPLOYEES IN THE SHOPS HAS HAD A PROFOUND IMPACT ON THEIR SENSE OF PRIDE AND ACCOMPLISHMENT. THE CIRCLE IS EXCITED AND PROUD TO HAVE RECEIVED THE ATTENTION AND THE RESPONSE OF TOP

LEVEL MANAGEMENT TO RESOLVE A PROBLEM THAT HAS BEEN PLAGUING THEM FOR YEARS.

ANOTHER EXAMPLE IS A GROUP CALLED THE WEEDEATERS. THESE ARE A COMBINATION OF VEHICLE OPERATORS, LABORERS, AND PEST CONTROLLERS CHARGED WITH KEEPING THE GROUNDS, FACILITIES, AND TARGET AREAS OF THE MISSILE RANGE CLEAN, ATTRACTIVE, AND USEABLE. THIS CIRCLE TACKLED A SERIES OF PROBLEMS RELATED TO THE DOWN-TIME OF THEIR EQUIPMENT AND LACK OR INACCESSABILITY OF TOOLS CAUSING CONSIDERABLE UNPRODUCTIVE TIME, AND RESULTING IN THE USE OF OVERTIME TO COMPLETE TASKS. THEIR EQUIPMENT SPENT A GREAT DEAL OF TIME IN THE SHOP, COSTING MORE EACH YEAR IN REPAIRS THAN THE ORIGINAL PURCHASE PRICE. CREWS WERE HAVING TO RETURN TO BASE SOMETIMES FROM MANY MILES OUT ON THE RANGE TO MAKE MINOR REPAIRS OR TO SUBSTITUTE WORKING EQUIPMENT. THE CIRCLE RECOMMENDED THE PURCHASE OF NEW EQUIPMENT AND TOOLS TO MAKE MINOR REPAIRS IN THE FIELD. THEY ALSO IMPLEMENTED PROCEDURAL CHANGES THAT RESULTED IN BETTER COMMUNICATION BETWEEN CREWS IN THE FIELD. THE SAVINGS OF TIME, GASOLINE, AND REPAIR PARTS AMOUNTED TO OVER $30,000 FOR ONE YEAR'S OPERATION. BENEFITS IN THE AREA OF WORKER MORALE, PRIDE, AND SELF-CONFIDENCE ARE VERY DRAMATIC.

THE TANGIBLE DOLLAR SAVINGS GENERATED BY THESE AND OTHER QUALITY CIRCLE RECOMMENDATIONS ARE NOT OVERWHELMING BY NATIONAL BUDGET STANDARDS. BUT THE IMPORTANT THING IS THAT THE QUALITY CIRCLES ARE MORE THAN PAYING THEIR WAY, PROVIDING US A COST BENEFIT RATIO OF ALMOST TWO AND ONE HALF TO ONE, EVEN TAKING INTO CONSIDERATION TRAINING AND ADMINISTRATIVE COSTS.

THE TANGIBLE BENEFITS ARE PALED BY THE BENEFITS WE ARE REALIZING IN THE AREAS WHICH ARE DIFFICULT OR IMPOSSIBLE TO MEASURE. BOTH EMPLOYEES AND SUPERVISORS OVERWHELMINGLY BELIEVE THAT WORK IS IMPROVING DUE TO THE SOLUTIONS WHICH HAVE BEEN IMPLEMENTED AS THE RESULT OF QUALITY CIRCLES. THEY REPORT IMPROVEMENTS IN EFFICIENCY, RESPONSIVENESS, QUALITY, AND SAFETY. THERE HAVE BEEN A NUMBER OF GENERAL BENEFITS, A KIND OF POSITIVE FALLOUT OF PARTICIPATION IN QUALITY CIRCLES. WE HAVE SEEN IMPROVEMENTS IN COMMUNICATION BETWEEN CIRCLE MEMBERS AND BETWEEN SHOPS, RESULTING IN BETTER COORDINATION AND THUS BETTER EFFICIENCY. EMPLOYEES IN QUALITY CIRCLES HAVE THE SATISFACTION OF GREATER CONTACT WITH LINE MANAGERS UP TO THE HIGHEST LEVELS IN THE ORGANIZATION, AND IMMEDIATE FEEDBACK ON THEIR RECOMMENDATIONS. THE FRUSTRATIONS OF WORKING UNDER LESS THAN IDEAL CONDITIONS IS LESSENED AS THE CIRCLES LEARN THAT THEY CAN MAKE CHANGES WITHIN THEIR WORKPLACE, AND REMOVE EVEN SOME OF THE MOST CHRONIC PROBLEMS WHICH THEY HAD ONCE ACCEPTED AS PERMANENT CONDITIONS. WE HAVE FOUND THAT, AS A GENERAL RULE, THE QUALITY CIRCLE MEMBERS FEEL GOOD ABOUT THEIR NEW SKILLS AND CONSEQUENTLY DISPLAY GREATER SELF-CONFIDENCE AND ENHANCED FEELING OF SELF-WORTH.

THE BENEFITS I HAVE JUST DESCRIBED BASICALLY ADD UP TO WORKER MOTIVATION: EMPLOYEES WITH THE POWER AND THE DESIRE TO ACCOMPLISH THEIR JOBS IN WAYS THAT PROMOTE SATISFACTION WITH THEIR WORK AND ACHIEVEMENT OF ORGANIZATIONAL GOALS. THIS, TO US IS LIKE MONEY IN THE BANK.

THE SUPPORT PERSONNEL WHOM WE HAVE BEEN DESCRIBING ARE ALL WITHIN THE ORGANIZATIONS WHICH HAVE BEEN SLATED FOR COMMERCIAL ACTIVITIES STUDIES. NEEDLESS TO SAY, THE NEWS THAT THEIR JOBS ARE UNDER STUDY FOR POSSIBLE CONTRACTING OUT HAS HAD A DEBILITATING EFFECT ON THEIR JOB SATISFACTION, JOB SECURITY, AND ON THEIR SENSE OF IDENTITY WITHIN THE ORGANIZATION. HOWEVER, THOSE EMPLOYEES PARTICIPATING IN QUALITY CIRCLES HAVE RECEIVED THE NEWS MORE OPTIMISTICALLY THAN HAVE THEIR COLLEAGUES WHO ARE NOT IN A CIRCLE, AND MOST BELIEVE STRONGLY THAT THROUGH QUALITY CIRCLES THEY STAND FAR BETTER CHANCE OF COMPETING SUCCESSFULLY TO RETAIN FUNCTIONS IN HOUSE. THE MANAGERS OF THOSE ORGANIZATIONS AGREE WITH THAT ASSESSMENT.

OUR UNIONS ARE ALSO IN AGREEMENT. UNION OFFICIALS AT WHITE SANDS MISSILE RANGE HAVE BEEN VERY SUPPORTIVE OF OUR QUALITY CIRCLE EFFORT. WE HAVE TWO BARGAINING UNITS COVERING ALMOST 2,600 BLUE COLLAR AND NONPROFESSIONAL WHITE COLLAR EMPLOYEES. QUALITY CIRCLES HAVE BEEN RECOGNIZED AS A CONCEPT WHICH IS MUTUALLY BENEFICIAL TO MANAGEMENT AND UNION SKILLS.

QUALITY CIRCLES EXIST AT WHITE SANDS MISSILE RANGE ALONG SIDE OF PROGRAMS DESIGNED TO ENHANCE PRODUCTIVITY, SUCH AS THE VALUE ENGINEERING PROGRAM AND THE EMPLOYEE SUGGESTION PROGRAM. ALL THESE PROGRAMS COMPLEMENT ONE ANOTHER TO PRODUCE A NETWORK OF ENCOURAGEMENT TO WORKER CONTRIBUTIONS WHICH WE BELIEVE WILL PROFOUNDLY INFLUENCE THE PRODUCTIVITY OF THE RANGE AND THE QUALITY OF SERVICE WE PROVIDE. THESE PROGRAMS ALSO CONTRIBUTE TOWARD THE DEVELOPMENT OF A CLIMATE

WHEREIN INDIVIDUALS FEEL THEY ARE IMPORTANT AND WHERE THEY ARE APPRECIATED. THIS MEANS THEY TAKE PRIDE IN WHAT THEY ARE DOING AND IN THE PRODUCT THEY ARE TURNING OUT. I BELIEVE THIS IS AN IMPORTANT LESSON FOR GOVERNMENT AS A WHOLE.

OUR QUALITY CIRCLE PROGRAM IS CONTINUING TO EXPAND. OUR AIM IS TO EXPAND SLOWLY AND CAREFULLY, TO ASSURE THE CIRCLES RECEIVE THE TYPE OF SUPPORT AND FEEDBACK NECESSARY TO THRIVE. WHILE CONTINUING TO DEVELOP CIRCLES IN BLUE COLLAR AREAS, WE WILL ALSO BE ADDING CIRCLES IN MANY OF OUR HIGH TECHNOLOGY AREAS. BY THE VERY NATURE OF THE WORK PERFORMED BY OUR TECHNICAL EMPLOYEES AND THE HIGH PRICED SOPHISTICATED EQUIPMENT WITH WHICH THEY WORK, WE ANTICIPATE THAT TANGIBLE SAVINGS GENERATED WILL BE EVEN MORE SIGNIFICANT THAN THOSE WE HAVE ALREADY SEEN MATERIALIZE. WE ARE CONFIDENT THAT WE WILL CONTINUE TO MARK IMPROVEMENTS IN THE LESS MEASURABLE BUT HIGHLY IMPORTANT AREA OF EMPLOYEE MORALE AND MOTIVATION. WE HAVE MADE A COMMITMENT TO INVEST HEAVILY IN OUR EMPLOYEES, WHO ARE, IN FACT, OUR MOST VALUABLE RESOURCE. TO OUR WAY OF THINKING, THIS IS A WISE INVESTMENT.

THAT CONCLUDES MY STATEMENT. AGAIN, HERE FROM WHITE SANDS MISSILE RANGE ARE EMPLOYEES WHO ARE HEAVILY INVOLVED WITH OUR QUALITY CIRCLE PROGRAM. RENEE SISSON, WHO IS LOCATED IN OUR CIVILIAN PERSONNEL OFFICE, IS THE MANAGER OF THE QUALITY CIRCLE PROGRAM. MIKE MANZANARES IS THE FOREMAN OF THE HEATING, VENTILATION, AND AIR CONDITIONING SHOP WITHIN OUR INSTALLATION SUPPORT DIRECTORATE AND IS THE LEADER OF THE FLAMEKEEPERS QUALITY CIRCLE. THOMAS CHACON IS A VEHICLE OPERATOR IN THE LAND MANAGEMENT SECTION OF THE INSTALLATION SUPPORT DIVISION, AND IS A MEMBER OF THE WEEDEATERS QUALITY CIRCLE. WE WILL BE HAPPY TO ANSWER ANY QUESTIONS YOU MAY HAVE.

Senator **Bingaman**. Let me make a suggestion here. We have three additional witnesses: Mr. Simpson, Mr. Allen, and Mr. Craven. If possible, we are going to have to terminate this about 12 o'clock. It occurs to me, if all three of you could come forward, we could hear everyone's testimony and have questions after that. That way we would spend less time in changing places up here at the front.

Let me just start by asking for Mr. Hunter Simpson to testify, if he would. I understand, Mr. Simpson, that you are president of the Physio-Control Corp. in Redmond, WA. Your company is listed in "The One Hundred Best Companies to Work For in America," and has many other credits to its name. I will be anxious to hear your thoughts as to what innovations you believe have been helpful in the private sector and which of those could be useful in the public sector—anything you have to tell us this morning. Thank you for coming.

STATEMENT OF W. HUNTER SIMPSON, PRESIDENT AND CHIEF EXECUTIVE OFFICER, PHYSIO-CONTROL CORP., REDMOND, WA; ROBERT F. ALLEN, PRESIDENT, HUMAN RESOURCES INSTITUTE, MORRISTOWN, NJ; AND WILLIAM F. CRAVEN, DIRECTOR OF PERSONNEL, HEWLETT-PACKARD CO., PALO ALTO, CA

Mr. **Simpson**. Thank you, Senator. I appreciate being here. It is a delight to be here to talk about something that really works well.

When I left IBM and joined Physio in 1966, there were five of us. Revenue was about $42,000 and we lost twice that much. We had amongst our assets a lot of energy and our belief in what we were doing. Five years later, we took the company public. Nine years after that we became a subsidiary of Eli Lilly & Co., and today our revenues are $100 million. We are the leading manufacturer of defibrillators in the world and other cardiovascular instrumentation.

We have over 1,100 men and women at Physio—engineers, sales reps, assemblers, shipping clerks, et cetera. All of us are what we call a team. We never use the word "employee." I consider it a degrading term.

Long before we were included in the remarkable book, "The One Hundred Best Companies to Work For in America," people wanted to join our company. Routinely we received over 1,000 job applications a month and turnover is quite small.

One would ask why? It is not our salaries, our benefits, our opportunities for advancement or the beautiful views from our campus that we have. I suspect the three engines that drive our company are very simply stated: The superiority of our product, the excellence of our service and, most importantly, the belief in the integrity of the individual.

All three of these are very crucial. I believe, however, that the third, the integrity of the individual philosophy, is the most important. It is the internal motivation of unique individuals that makes the first two things work. Superiority of product does not happen accidentally. It is based on everybody from the innovator to the drawing board to the quality assurance to the selling and service of that product.

Superiority of service, too, is based on the individual. So if you link those three engines with the three motivational factors of recognition, reward and responsibility, you have a pretty interesting matrix of what makes a company tick.

Within our company, we talk with all of our team members and, more importantly, we listen to them. Four times a year we get together as a team and we have a lot of fun. We have kickoff meetings. We inspire, we promote, we recognize. We discuss how we did and we discuss that which lies ahead as far as the challenges that we give each other.

We recognize individual performance in a thing called the added extra effort and that recognizes this thing called reward and responsibility. We also have a lot of fun. Sometimes we hold these meetings under a big tent out on our beautiful lawn; we have marching bands. Once a year we even have a pancake breakfast where the senior management does all the flipping and tries to keep them off the ceiling.

We get together with all of our 5-year people, called the 20th Century Group, twice a year and we get together with our 10-year gang, which I call the Moldy Oldies, but it is a philosophy and it is a culture, ladies and gentlemen. We want to make sure the individuals in our company never get lost or get forgotten. We have what we call an open-door policy in which any team member can come to me, personally. As a matter of fact, it is a responsibility that they have, that if they have a problem or they are not getting the right kind of answer from whomever they work for, then they have an obligation to come and see me. That is pretty easy when there are five of you. It is pretty tough when there are 1,100 around the world. That is part of the culture.

Some companies would call that insubordination. I call it corporate responsibility. Perhaps the suggestion is off base, perhaps not meaningful, but I still listen and that individual still gets a response.

One of the things that came out of this open-door philosophy was our remarkable thing called the 4-day week. This was a suggestion. It wasn't mine. It was from somebody in the company that said, "Hey, why don't we work 4 days a week?" There were probably 1,500 high technologies in the area at that time when we were thinking of it and 1,400 were trying to find out reasons why it wouldn't work, and I was looking for reasons to make it work, somewhat skeptical.

It doesn't take a Ph.D to see that productivity went up 20 percent and absenteeism went down 80 percent. All basic activities of the company are always covered, 24 hours a day, 7 days a week. Most of that team has a nice long weekend. It really pays off. We are the first ones on the ski hills, the first ones on the campgrounds, et cetera.

We said, "How do we keep our little plant busy when most of those teams are on the remarkable weekends? We have a lot of students around; why don't we employ the students on weekends?" We called them Weekend Warriors. They are based on 40 hours. They can still go to school and we pick up their books and tuition. It is sort of a win-win situation. It is different. It was unique, solved the problem; it was good for them and really good for the company.

We have a policy of full employment. We only had one reduction in force and that was in 1967. We had to let 20 people go—what we call furlough—and about 45 days later, we got them all back. But we tried to be very precise about how we train and cross-train our people. When one line perhaps gets a little slack, the other line, which probably is not slack, could be filled by people who we move over.

If the economy gets a little soft—we had some periods where we really had to worry about the use of our resources, because we do a lot of subcontracting—we simply bring some of those subcontracts in so that our men and women are kept very busy and we avoid that trauma of any reduction in force.

Our benefits are not revolutionary, but they mean something to each individual in the company. Since becoming a subsidiary of Eli Lilly, our profit-sharing program has been greatly enhanced. It was really superb before we became part of that company. We think men and women who create profits should share them. Profits do happen because of the dedication of men and women who create them. We don't have executive washrooms, dining rooms, parking places, all that kind of thing.

We think we are better served by allocating resources to men and women in the business. We pay 100 percent of all tuition and 50 percent of the cost of books for all our men and women who really want to go to school, continue their education and enhance their own abilities to grow within our team.

All kinds of health insurance—we are in the health business, so obviously they have huge policies riding over their head. We underwrite transportation to and from the plant because we do reside in the outskirts of Seattle. When you move to a place like that, you tend to discriminate against your minorities who, in most cases, don't own their own cars.

We underwrite, in fact, we have arranged free checking accounts for all of our people. If you add up all this—coffee all day long, neat little things—they add up that your people are quite precious and you take care of them. We pay the cost of adopting children. It costs more to adopt children than maternity costs.

We say that is a responsibility we have to these men and women and make every special effort to be a leading corporate citizen in our community. Three percent of our pretax net profitability is committed to the society in which we exist, in arts, education, and in the sciences. We say if you have a beautiful place to work and spend half your life at work, why not make it a remarkable place. We take care of our guys and gals as best we can, which is not a bad formula, and you add to that we are in the business of saving lives and that is not a bad situation.

I think young people enjoy enriching man's life rather than blowing it up. If you listen to this and read the books written about our little company, you might think we are a cross between the Boy Scouts, college football, and the positive thinking concepts of Norman Vincent Peale.

I can assure you these practices are good business, very good business. There is something about enthusiasm, ladies and gentlemen, that creates commitment and is very contagious. New team members have come in, saying to themselves, I am sure, this must be a circus. Workbenches look out over the mountains; kickoff meetings; marvelous profit sharing—all of this. But I am told within a few weeks all of those guys and gals that joined this business tend to become believers, and it is not just the fact I spend time with each and every one of the new people that join this company, and it is not the sweetness of my voice that does it. I think it is because they recognize they are an integral part of a company that believes in their integrity and potential contribution to its growth and success.

I would caution anybody that would implement some of these neat things for the cosmetic effect. If they are sincerely given, they will be sincerely received.

Starting from day one, that is how we, the five of us, wanted to be treated. I think if the corporate responsibility attitude starts at the top and manifests itself all the way throughout the organization, and if you have a deep set of beliefs, then obviously they will be felt by everybody in the group.

My philosophy of a corporation, and I think it goes toward the Government, is the creation of value. I think our role is to create value in our society. If you do that, then the bottom line will take care of itself.

You ask this question, how is all this translated and what might be done in a huge organization like the Federal Government? Admittedly, it is easy to communicate things when there are five of us rather than the 2 million who work for our Government. That is what management is for. They have to highlight the objectives to those who are part of the organization; they have to emphasize the goals. I figure if a CEO can do this with over a quarter of a million people, then I think the Federal Government can do it. It will be difficult; it will be slow. You have to do it one step at a time, an office at a time or a subset of an office at a time, but I think it can be done.

I would encourage you to drop into a post office some afternoon or a passport office or a customs office by yourself unannounced, and I think you will see some of the nicest, most helpful civil servants you have ever come in contact with. And yet working right along side of that civil servant, you might find one or two who are uncaring. And how do you reward the ones who care and how do you motivate the ones who don't? It can be done but it's a long, hard pull. It has to be done one step at a time. But it is the recognition of the contributions that individual will make to the organization they are involved in and it is stressing their unique value to it.

If we try within this great Government of ours to take that attitude, starting at the top, then I think that change can ultimately be accomplished. I have been there, ladies and gentlemen, with a tiny little company. You can go no place but out, but starting out with those basic beliefs was easier than if you start out on the plateau of the size of our Government. It will take longer, but it can be done.

Thank you very much, Senator.

Senator **Bingaman**. Thank you very much, Mr. Simpson. If you can sit through the testimony of the next two witnesses, I would like to ask you a question or two, if we could, if we still have time.

Dr. Allen is our next witness. He is a psychologist, a professor, and president of the Human Resources Institute, a consulting firm in New Jersey. Dr. Allen?

Mr. **Allen**. Thank you, Senator. It is a pleasure to be here. I am an organizational and community psychologist. I head up the Human Resources Institute of Morristown, NJ, and we work with corporations, with communities, with colleges, universities, hospitals, Government agencies around the country and, to some extent, around the world.

What I would like to share with you this morning are some of the observations we have made over our past 20 years in this field of organizational change, organizational productivity. The major thrust of my testimony today is really three-fold. First, that it is possible for people in organizations to come together in such a way as to significantly improve their productivity, the quality of their work and their levels of effectiveness. And that the people we need in organizations, governmental and private as well, are not only willing to enter into such efforts but are, in fact, eager to do so and are looking for opportunities.

The second thrust of what I would like to say this morning is that it is unlikely, in our opinion, that much in the way of substantive change will take place by the methods that are ordinarily applied to bring it about.

I refer here now to a host of kind of interventions that occur in organizations—training programs, new managerial-effectiveness efforts, new systems, new work procedures, et cetera. All of these, in our judgment, can have a positive impact, but that positive impact is only possible when they are part of an overall modification of the culture of the organizations in which they are introduced.

Without such changes, such programs seem to us to do more harm than good because they raise people's hopes and expectations without materially aiding them in carrying out the changes that are looked for. In many, many cases this results in people who are frustrated, angry, upset—upset that they are led to believe that changes are going to take place when, in fact, the changes do not take place.

The third thrust of what I would like to say this morning is that these types of interventions—training programs, quality circles, managerial-effectiveness programs—will only be helpful when they take into account the enormous impact of the underlying culture of the organization.

Now, every organization has a culture. In fact, sometimes a number of cultures existing side by side. The basic building blocks of these cultures are norms, expected behavior or ways of doing things. These norms guide all types of behaviors in organizations, everything from hairstyle to dress, to questions of productivity, to questions of customer service, to questions of quality, to questions of relationships between people. When these cultures are actually contradictory to the kinds of things we ask people to do in our training programs, the changes we are seeking do not take place. In fact, it is very much like punching into a giant pillow in many of our change programs. When we punch hard enough with enough dollars, enough energy, enough effort, we get a temporary indentation.

When we pull our hand away, the pillow puffs up, throws off the change, leaving things pretty much the way they were.

Fortunately, these cultures are very changeable. Fortunately, people want to change. What we have been working on over these past 20 years is to develop a systematic process by which people can bring about these changes in their cultures. We have seen some really remarkable achievements--increases in productivity, increases in quality, increases in improvements in customer service, et cetera. We have seen also that these cultures can be shaped in ways that the people of the organization find helpful.

When we look at the norms that exist in our cultures, we can see that many of them actually interfere with the purpose the organization has. An example I would like to give to you was zero-based budgeting, which is something brought into many Government agencies and many private organizations over a period of time. People were trained in how to carry out that process. They were told this is the way things would be. They were given the skills that were necessary, but the culture was left untouched so that people who did use a zero-based budgeting method the first time out found that when it came time for cuts, the cuts were the same for the zero-based budgeting people as they were for people who started from the old way.

So they only got caught once, if once, in that particular thing. So what happened is the zero-based budgeting continued as the program but the culture was unchanged and, therefore, people prepared budgets in their minds the old way, then took weeks or months to change these into zero-based terms, and interestingly enough, they came out exactly in the same form.

So what had happened was that without changing the culture, nothing, in fact, changed, and what we really were doing was using up the time and energy of people to do things that did, in fact, not take, as we would call it.

As I said, these cultures are extremely changeable, they need to be worked upon systematically. The methods we have seen people use usually begin with an analysis of the culture and how it is impacting on behavior. It moves from there to introducing people to the possibilities of change, involving people in that process, seeing that the change is possible, seeing that this time there is an effort not just to change the surface of things but to deal with the underlying culture, then to implement that, changing the reward systems, the information systems, the communications systems that affect culture and, finally, evaluate and renew that on a continuing basis so that this becomes a way of life, not just a periodic good intention.

Programs that are successful tend to involve people in the process. They tend to be not things passed down from above, but things where people themselves were involved.

There tends to be a sense of shared purpose and community where people come together to examine the purposes and to build a sense of community, as they were. They tend to be positive, nonblame placing kinds of things. Not ways of victimizing and blaming the victim, but instead ways of building upon the positive motivations. They tend to focus on results, not promises or wishes. They tend to work systematically and, finally, they include both the individual and the culture, because cultures don't change without the efforts of individuals; but individuals who change without taking into account the culture tend to become bugs on the windshield of history, if you wiil. They tend to be people who bring very little to the future.

So it is the joining together of the individual and the culture that really makes a difference.

I would just like to say in conclusion that people do remarkable things. I think people are very eager to have that opportunity in our Government if we can combine this individual motivation, knowledge and skill that is so important, with a concern for the culture. I do think that we can make a major impact on many of the things this committee is concerned with. Thank you.

Senator **Bingaman**. Thank you very much, Doctor. I appreciate that excellent testimony. I will ask a question or two if you can wait a few minutes while we hear from our final witness, Mr. Craven, who is director of personnel for Hewlett-Packard Co. I know Hewlett-Packard's reputation for excellence is well known and well deserved. I have one of your HP12-C's. I am still trying to figure out how to operate it. It is a superb piece of equipment. I think you designed it for someone beyond my mathematical abilities. I am very impressed with Hewlett-Packard's activities. Let me say David Packard has testified before the Armed Services Committee, which I sit on, several times in the last year or two about proposed changes with regard to management within the Defense Department, and I know of his reputation in that area, and we look forward to your testimony here.

Mr. **Craven**. Thank you, Senator. Thank you for this chance to talk about innovative management and its application to the public sector.

As you said, my name is Bill Craven and I am director of personnel for Hewlett-Packard Co. HP is one of the country's largest electronics manufacturers with 80,000 people worldwide.

My eagerness in speaking to you today stems from very selfish motivations. I recognize that public administration is really the mechanism that I, and countless other Americans, have created to do some vital tasks that I cannot do myself.

So I appreciate the effort of this subcommittee to highlight the importance of our public sector managers and to look for ways of making their jobs more productive and rewarding for them.

We at Hewlett-Packard have the mixed blessing of being included on many lists of best-managed companies. I say a "mixed blessing" because while we appreciate the recognition, we're not always sure we deserve it. We're never satisfied with our own performance.

Let me share with you some of our guiding beliefs and practices. First, we recognize that the prime ingredient for our success is in our people. We make a lot of effort to recruit good people, and then to motivate and reward them. Let me quickly list some more of our primary methods, and feel free to ask questions later.

We provide job security based on personal performance, and during our 45 years of business have never had a layoff. The one time we faced the need to reduce our payroll, we took another route. We gave everyone in the company—from president on down to janitor—a 10-percent pay cut and every other Friday off. So when the business downturn was over, we had our work force intact, and we had also earned their loyalty.

But let me emphasize that we offer job security based on performance. We have high performance expectations and very formalized and rigorous procedures for people who are not meeting those expectations. Our compensation and advancement procedures are definitely on the basis of merit.

Of course, one of the best ways to motivate and retain people is to reward them for their work. Some of that reward is financial. Our compensation policy is to pay among the leaders in any salary classification. We also provide profit sharing for all employees and a stock-purchase plan to which the company contributes.

A few years ago, an employee attitude survey done by an outside agency reported an unusually high feeling of involvement or "ownership" by all HP people. That psychological ownership is paralleled by a very real one; more than 70 percent of our employees participate in the stock-purchase plan.

I said that only part of our reward system was financial. The other part of it is personal. There is a great feeling of egalitarianism. There are no management "perks." We are all on a first-name basis. No one has an office with a door on it. There is lots of informal communication—downwards, upwards, and sideways.

We also practice something we jokingly call "management by wandering around." The idea is for a supervisor to get up out of his or her chair and just walk around and chat with people. That kind of informal communication often produces much more real information than a dozen well-written memos.

I have said that the first part of our management philosophy is a recognition and encouragement of individuals. The second aspect is the environment within which those people operate. We practice management-by-objective. That means giving people a lot of flexibility in pursuing agreed-upon goals.

In our view, management doesn't mean giving people detailed instructions on how to do things. Instead, a manager's job is to get group consensus on goals and to provide the resources--including information—that people require in order to be successful. Leadership at HP, then, doesn't mean giving commands. It means convincing people to follow the direction you're pointing in.

The assumption behind management-by-objective is that the people closest to a problem are the ones best suited to solve it. They know more than people far removed up the line. We like to use everybody's good ideas. In fact, some of the best programs we have offered are the results of feedback we got from people, and directions changed because we listened.

I know that from experience. We just offered a new program for retiree benefits, and the one we finally came up with reflected comments—most of them rather loud—from a lot of people who heard about the first version of the plan and felt it could stand improvements. One thing for sure about our system of communications, it keeps managers humble.

OK, I have said that the basics of our management philosophy are, one, to get highly qualified and motivated people and, two, to give those people a lot of flexibility to pursue their goals. Before you dismiss us as a bunch of Californians who have sat too long in a hot tub, let me give you the third and final management practice I would like to mention today.

We very precisely define what it is that we want to accomplish and how to measure the effectiveness of our efforts. We practice a philosophy called total quality control, or TQC for short. We believe it is possible to define every activity as a process that can be measured and then to create a quality goal for each step in that process.

We started TQC in manufacturing, where it is easy to measure defects as parts per thousand, or other tangible and easily identifiable things. We have since moved on to other areas of our business—such as engineering, marketing, sales, and administration.

We've got more than 1,000 quality teams in the company. They meet to define the process and the measures of success for their own activity. And given our MBO philosophy and their easy access to information and the information processing equipment, those quality teams have everything they need to get results.

Take my area—personnel—for an example. I will cite an example from a problem area that is by no means unique to HP—rising health care costs. We spend about $100 million each year on health benefits and process some 1,500 claims every single day. Our costs are rising rapidly.

We don't want to jeopardize the profitability of our company, and we certainly do not want to solve the problem by some kind of across-the-board cut in everyone's health care benefits. Instead, we have taken the claims procedure process and identified the steps involved.

As the first part of problem solving, we are gathering data to identify areas where we can make some improvement, both in terms of plan design and administrative efficiency. Using that new information, we are making the many small, incremental changes that result in a better performance.

That last point—that several small, incremental steps are needed to improve overall performance—is the thought I would like to leave with you today. Good management doesn't mean having a grand strategy for success. No, it is really much more mundane. It is doing the little things right. Let me briefly recap for you.

First, get good people.

Second, provide them with an environment where they feel appreciated and which is conducive to their own success.

Third, gain their consensus on goals. That means good communication and an organization where everyone benefits from success.

Fourth, give people lots of flexibility to create innovative solutions and provide the resources they need to do the job.

Fifth, constantly define and pursue quality in every activity you pursue. And don't get complacent when you have met your goal. Keep raising expectations.

Lastly, recognize and reward results.

Ten minutes is not enough time for a comprehensive treatise on HP's management practices, but I hope I have at least given you a feel for them. I am happy to answer any questions you may have, and we at Hewlett-Packard would be happy to work with subcommittee members as you continue your exploration of this important subject. Thank you.

Senator **Bingaman**. Thank you very much, Mr. Craven. That was excellent. I would ask a question or two of you also, if you have a moment to stay here. We are going to try to get out of here in a few minutes, but before we do, I would like to just ask Mr. Simpson, perhaps, if he would comment on the extent to which he believes he has described the culture within your company.

Could you also describe what you believe would be required to create a similar culture or a culture which has some of the same values and goals within a Federal agency perhaps? Whatever thoughts you have as to whether such a culture can be created or what steps would have to be taken to get from here to at least a start.

Mr. **Simpson**. It won't be easy, as I indicated. You constantly hear that it can't be done; we have stringent requirements of civil service. Obviously, there is very little risk involved. People don't perform as well as they should in the Federal Government because of all the protection, and I don't buy that. I think if the motivation is there, it can be done, as I indicated in my remarks.

Small, start slow. It's going to take a long time, but we have been around for a long time and part of our problem is perhaps we didn't have that sensitivity to the value of the individual.

If I were writing the script, Senator, I would probably say, take an area of the country and one small segment of the Federal Government, a post office, a customs district. I would do it in an area where it isn't quite as politicized because of tradition and age, meaning like New England. I am not being politically motivated.

I am saying some place where the beliefs might not be so firmly imbued because of just the time that the Government has been involved. Maybe it is in the west. And you take a risk, you say, "Hey, we are going to take this postal group, and we are going to break all the rules. We are going to put in an individual who is not so steeped in the tradition of how the post offices worked in the past." I am not being derogatory, I am just saying you are going to risk something and the risk-benefit ratios, if it is properly done—productivity would go up, absenteeism would go down, and I think you would have a group of dedicated people, not that they are not now, but how do we do the job better.

To write that script, let's do it here, let's see what happens. We are going to break some traditional rules. But rules are made to be broken anyway if the benefits are there. If you give me an assignment to sit down, come back in 5 months or submit to you in 5 months a more detailed report, how would you do it and what if, I would be delighted to do it, but it has to start in one place.

Senator **Bingaman**. I appreciate that. Let me ask Dr. Allen a question. I gather from your comments you believe that a strategy can be developed to bring about the change in culture in the Federal Government, just as it can be brought about in the corporate world, that that is really the proper way to get at productivity.

What do you see as some of the initial steps toward a strategy of altering the culture of the Federal Government to bring about the kind of productivity increases that we would all hope for?

Mr. ALLEN. I share the views that Mr. Simpson just expressed. First of all, I do think that it is possible. I think there are a number of possible strategies. One very good one is piloting in a given area, and then using the people from that particular pilot, as we heard in the quality program earlier this morning, to use that particular pilot to reach out to other groups.

I think that is a method that can be used very well. I think the people that I know in Government agencies, as well as in the private sector, are very, very eager to create these kinds of productive cultures. The people who pay the most when cultures are not productive, unfortunately, are not the taxpayers or not the rest of us; it's the people who work in the cultures that keep them from being all they are capable of being. That really is a commitment, I think.

I hope the work of this subcommittee can provide possibilities for some of these folks who really are existing with a ceiling on their own capabilities.

Senator BINGAMAN. Let me ask a question. I will first address it to Mr. Craven and then if any of the rest of you have a comment on it, maybe you will join in.

I am concerned, I guess, that one of the main obstacles in the Federal Government to bringing about and sustain the kind of cultural values that you describe in some of your companies, some of the high-performance companies in this country, is the tremendous turnover that we have at all or many levels of Federal Government.

The book that came out several years ago, "Government of Strangers," mentions the turnover at the top levels of our Federal Government. To what extent, Mr. Craven, do you think that that is a very serious problem, or to what extent do you feel like that problem can be overcome if an adequate culture for high productivity is created within the organization?

Mr. CRAVEN. I guess I personally think high turnover may be an advantage rather than disadvantage when trying to change a culture. We within HP have a very low turnover to the external environment. However, internally, we encourage people to take on new jobs, frequently. In fact, I have been in my current job 3½ years. Prior to that, I was division manager of a division; prior to that I was a marketing manager; prior to that I was R&D manager.

Coming into a new job with new ideas is very stimulating to not only the individual going into the new job, but also all the people they are going in to lead. I personally think it is an advantage if you can get to the people as they come into the jobs and encourage them to establish an environment or a new culture which is more conducive to productivity.

Senator BINGAMAN. Mr. Simpson.

Mr. SIMPSON. I might point out the division Mr. Craven used to run was our most respected competitor.

I am not sure that change takes place as often as one would think. Certainly we have political changes and we have secretarial-level changes, but if you look at the civil service level, I am still doing business with the same qualified members of the FDA today that I was 10, 12 years ago. At the higher level GS ratings, there is a real consistency.

I am not sure the changing personalities is as big a problem as one might suspect. I think that the motivation of those personalities one by one is the real challenge. But at the operating level, there is a fairly consistent tenure.

Senator BINGAMAN. Let me just mention here a statistic that was in the earlier testimony of Mr. Anderson. I don't think he went into this orally but in his testimony he cited a statistic that concerned me. He said, "As of June 1984, about 40 percent of the career executives who converted to the Senior Executive Service in July 1979 had left the Government."

That strikes me as a problem, or maybe that is a sign of the problem. I don't know.

Mr. SIMPSON. What percentage of that percentage might have come from, say, cost reduction activities as opposed to the change because of lack of motivation or whatever? The lack of motivation change, of course, that is symptomatic.

Senator BINGAMAN. Dr. Allen, did you have a comment on this?

Mr. ALLEN. Yes, I think when you have a very high turnover, I think that is something to look at in terms of the job satisfaction levels of people and the chance for people to feel a part of something. I do agree with the point that was made—when there is turnover in an organization, it does provide a wonderful opportunity for the new people to come together with the people who are already there, to say let's create what we want. Often they come with less baggage, less feeling of blame for what has gone on before. So I think this could be turned into a positive possibility.

Senator BINGAMAN. Let me conclude this hearing at this point. I want to thank each of the witnesses for being here, for the excellent, informative testimony. I think we have learned a great deal today. I am looking forward to another couple hours of testimony next Wednesday. We have excellent witnesses scheduled then as well. I do believe the subject of the hearings is extremely important. Management in the Federal Government is something that does not get enough attention, particularly here in the Congress.

I do believe that improved management can have lasting benefits for the country in increasing our efficiency and increasing our productivity and hopefully reducing the cost of some of these services to the public.

We do appreciate all of you being here today and thank you very much. We may be calling on you for some of the help that some of you graciously indicated you would be willing to provide. Thank you.

[The prepared statements of Messrs. Simpson and Allen follow:]

PREPARED STATEMENT OF W. HUNTER SIMPSON, PRESIDENT AND CHIEF EXECUTIVE OFFICER, PHYSIO-CONTROL CORPORATION

SENATOR STEVENS, SENATORS, GENTLEMEN, THANK YOU FOR INVITING ME. I CAN TELL YOU IT IS A MARVELOUS EXPERIENCE TO PARTICIPATE IN A SENATE HEARING IN WHICH PEOPLE GET THE CHANCE TO TALK ABOUT HOW THINGS HAVE GONE RIGHT.

WHEN I LEFT IBM AND JOINED PHYSIO-CONTROL AS ITS PRESIDENT IN 1966, THE COMPANY CONSISTED OF FIVE PEOPLE, INCLUDING MYSELF. REVENUES WERE $42,000, AND OUR LOSS THAT YEAR WAS ABOUT TWICE THAT. BUT AMONG OUR ASSETS WAS OUR OWN ENERGY, AND OUR BELIEF IN WHAT WE WERE DOING. FIVE YEARS LATER, WE WENT PUBLIC. NINE YEARS AFTER THAT WE BECAME A SUBSIDIARY OF ELI LILLY AND COMPANY. TODAY AT PHYSIO-CONTROL WE ARE NEARING REVENUES OF $100 MILLION AND ARE THE WORLD'S LEADING MANUFACTURER OF DEFIBRILLATORS, AND OTHER CARDIO-VASCULAR ELECTRONIC INSTRUMENTATION. THERE ARE OVER 1100 MEN AND WOMEN AT PHYSIO-CONTROL, ENGINEERS AND SALES REPRESENTATIVES, ASSEMBLERS AND SHIPPING CLERKS, TECHNICIANS AND DESIGNERS. ALL OF US ARE MEMBERS OF WHAT WE CALL "THE TEAM."

LONG BEFORE WE WERE INCLUDED IN "THE 100 BEST COMPANIES TO WORK FOR IN AMERICA," PEOPLE WANTED TO JOIN OUR COMPANY. ROUTINELY, WE RECEIVED OVER 1000 JOB APPLICATIONS A MONTH.

AND OUR TURNOVER IS SMALL. WHY IS THAT? IT IS NOT JUST OUR SALARIES. IT IS NOT JUST OUR BENEFITS. IT IS NOT JUST OUR OPPORTUNITIES FOR ADVANCEMENT, OR THE VIEWS FROM OUR PLANT WINDOWS -- ALTHOUGH WE HAVE ALL OF THOSE THINGS. THE THREE ENGINES THAT DRIVE PHYSIO-CONTROL ARE THESE:

- SUPERIORITY OF THE PRODUCT;
- EXCELLENCE IN SERVICE;
- BELIEF IN THE INTEGRITY OF THE INDIVIDUAL.

ALL THREE ARE CRUCIAL, BUT I BELIEVE THAT THE THIRD -- INTEGRITY OF THE INDIVIDUAL -- IS MOST IMPORTANT. IT IS THE INTERNAL MOTIVATION OF UNIQUE INDIVIDUALS THAT MAKE THE FIRST TWO THINGS HAPPEN. SUPERIORITY OF THE PRODUCT DEPENDS ON INDIVIDUALS, FROM THE DAY THE PRODUCT IS SKETCHED ON A DRAWING BOARD TO THE DAY IT IS FINALLY DELIVERED. SUPERIORITY OF SERVICE IS 100 PERCENT THE RESULT OF INDIVIDUALS. AT PHYSIO-CONTROL, WE VIEW INDIVIDUALS AS DESERVING OF THREE "R's": RECOGNITION, RESPONSIBILITY AND REWARD.

WITHIN OUR COMPANY, WE TALK WITH OUR TEAM MEMBERS, AND MORE IMPORTANTLY, WE LISTEN TO THEM. FOUR TIMES A YEAR WE GET TOGETHER FOR A TEAM KICKOFF MEETING. WE BRIEF THE TEAM ON THE RESULTS OF THE PAST QUARTER, AND DISCUSS THE CHALLENGES TO COME. WE HAND OUT "SPARKPLUG" AWARDS AND GIVE TEAM MEMBERS BONUSES FOR WHAT WE CALL "ADDED EXTRA EFFORT." RECOGNITION.

AND REWARD. WE TRY TO HAVE FUN -- SOMETIMES WE HOLD THE MEETING ON THE LAWN, SOMETIMES UNDER A BIG TENT. SOMETIMES THERE IS A MARCHING BAND. ONCE A YEAR THE MEETING TAKES THE FORM OF A PANCAKE BREAKFAST, WITH SENIOR MANAGEMENT WORKING THE GRIDDLE. TWICE A YEAR ALL THE FIVE-YEAR VETERANS GO TO LUNCH TOGETHER -- MORE THAN 200 OF US. ONCE A YEAR ALL THE 10-YEAR VETERANS HAVE DINNER.

WE WANT TO MAKE SURE THAT THE INDIVIDUALS NEVER FEEL AS IF THEY HAVE GOTTEN LOST IN THE ORGANIZATION, OR FALLEN BETWEEN THE CRACKS. AND SO WE HAVE AN "OPEN DOOR" POLICY, IN WHICH ANY TEAM MEMBER CAN COME TO ME, OR TO ANY MEMBER OF TOP MANAGEMENT, AND MAKE A SUGGESTION OR DESCRIBE A PROBLEM. IN SOME COMPANIES, GOING OVER THE HEAD OF AN IMMEDIATE SUPERVISOR IS CALLED INSUBORDINATION. AT PHYSIO-CONTROL, WE CALL IT A CORPORATE RESPONSIBILITY. SOMETIMES THE TEAM MEMBER IS OFF-BASE, OR HAS A BAD IDEA. BUT WE LISTEN AND WE FOLLOW UP ON EVERY VISIT, AND WE MAKE SURE WE REPORT BACK TO THE INDIVIDUAL. AND QUITE OFTEN, WE FIND A PROBLEM THAT WARRANTS ATTENTION. AND WE FIX IT.

ONE OF THE THINGS FOR WHICH WE ARE BEST-KNOWN -- OUR FOUR-DAY WORK WEEK -- CAME FROM AN "OPEN DOOR" SESSION. A GROUP OF TEAM MEMBERS BROUGHT THE IDEA DIRECTLY TO ME ONE DAY IN 1971. I WAS SKEPTICAL AT FIRST, BUT WE DECIDED TO GIVE IT A TRY. ENGINEERING, MANUFACTURING AND OFFICE TEAM MEMBERS BEGAN

WORKING 10 HOURS A DAY, FOUR DAYS A WEEK. PRODUCTIVITY WENT UP 20 PERCENT, AND ABSENTEEISM WENT DOWN 80 PERCENT. WE HAVE BEEN DOING IT EVER SINCE. WE SPLIT RESPONSIBILITIES, AND SOME PEOPLE HAVE MONDAY OFF, BUT MOST HAVE FRIDAY OFF. OUR ESSENTIAL SERVICES, OF COURSE, ARE COVERED 24 HOURS A DAY, SEVEN DAYS A WEEK. WE ALSO GET PRODUCTIVE USE OF SOME OF OUR MORE EXPENSIVE EQUIPMENT BY RUNNING A WEEKEND SHIFT -- WE CALL THEM "WEEKEND WARRIORS" -- 12 HOURS A DAY FOR THREE DAYS. IT IS A MARVELOUS OPPORTUNITY FOR THOSE TEAM MEMBERS, MOST OF WHOM ARE GOING TO SCHOOL. THEIR SALARIES ARE BASED ON 40 HOURS FOR THEIR 36 HOURS OF WORK, AND THEY GET FOUR DAYS A WEEK TO PURSUE THEIR STUDIES AND WE OF COURSE COVER THE COST OF BOOKS AND TUITION.

PHYSIO-CONTROL HAS A POLICY OF FULL EMPLOYMENT, WHICH MEANS WE ATTEMPT TO ELIMINATE ANY REDUCTIONS IN FORCE FOR ECONOMIC REASONS. OUR ONLY REDUCTION WAS IN 1967. TO BE SURE, WE HAVE HAD SOME RIGID TIMES, LIKE EVERY OTHER COMPANY. BUT WE TRY TO BE SMART ABOUT OUR STAFFING. BECAUSE WE ARE AN EXPANDING COMPANY, WE HAVE BEEN ABLE TO IMPROVE PRODUCTIVITY THROUGH AUTOMATION, TO ACCOMMODATE GROWTH WITHOUT CUTTING JOBS. WE RUN LEAN DURING GOOD TIMES -- AND WE SUBCONTRACT SOME OF OUR WORK. IF THE ECONOMY BEGINS TO SHRINK, WE PULL THE SUBCONTRACT WORK BACK IN-HOUSE TO KEEP OUR OWN TEAM BUSY. WE CROSS-TRAIN, SO THAT IF ONE PRODUCT LINE SLOWS DOWN, WE CAN MOVE TEAM MEMBERS TO LINES THAT ARE MORE ACTIVE. WE BENEFIT BY KEEPING TALENTED, SKILLED, LOYAL MEN AND WOMEN WORKING FOR US. AND WE AVOID THE DEMORALIZING EFFECT OF REDUCTIONS.

OUR BENEFITS PACKAGE IS NOT REVOLUTIONARY, BY ANY MEANS, BUT EACH BENEFIT DOES TAKE INTO ACCOUNT THE RECOGNITION OF THE TEAM MEMBER'S INDIVIDUALITY AND HIS OR HER IMPORTANCE TO PHYSIO-CONTROL. SINCE BECOMING A SUBSIDIARY OF ELI LILLY, WE HAVE MAINTAINED AND ENHANCED OUR PROFIT SHARING PROGRAM -- EACH TEAM MEMBER SHARES IN PHYSIO-CONTROL'S PROFITS. WE ALSO SINGLE OUT INDIVIDUALS FOR SPECIAL INCENTIVES, CERTAINLY INCLUDING MEMBERS OF THE MANAGEMENT TEAM. BUT THESE ARE REWARDS FOR THEIR PERFORMANCE, NOT THEIR TITLES. AT PHYSIO-CONTROL, THERE ARE NO EXECUTIVE WASHROOMS, NO MANAGEMENT DINING ROOMS. NO TEAM MEMBER HAS A RESERVED PARKING PLACE. WE THINK THERE ARE BETTER WAYS TO ALLOCATE OUR RESOURCES. FOR EXAMPLE, WE PAY 100 PERCENT OF THE TUITION AND 50 PERCENT OF THE BOOKS FOR TEAM MEMBERS WHO WANT TO GO TO SCHOOL, SO LONG AS THE EDUCATION WILL HELP THEM IN THEIR WORK. WE DO LITTLE THINGS -- WE UNDERWRITE BUS SERVICE TO PHYSIO-CONTROL FROM DOWNTOWN SEATTLE, 15 MILES AWAY. WE PROVIDE COMPLIMENTARY TEA AND COFFEE FOR ALL TEAM MEMBERS, ALL DAY LONG. WE HAVE ARRANGED FOR FREE CHECKING ACCOUNTS WITH OUR BANK. WE DO IMPORTANT THINGS, TOO -- WE ARE ONE OF THE FEW COMPANIES IN THE NATION TO PROVIDE BENEFITS TO HELP TEAM MEMBERS ADOPT A CHILD. AND WE MAKE A SPECIAL EFFORT TO BE A GOOD CORPORATE CITIZEN: WE GIVE FREELY TO EDUCATION, TO PUBLIC SERVICE ORGANIZATIONS AND TO THE ARTS -- ABOUT 3 PERCENT OF OUR PRETAX PROFITS ALTOGETHER.

WE WORK IN AN ENVIRONMENT THAT IS PLEASANT, CLEAN, WELL-LIT, WELL CARED FOR. WE DESIGNED OUR BUILDINGS TO BE OPEN AND AIRY, BUT NOT EXPENSIVE, WITH MOST OF THE WINDOWS SHARED BY TEAM MEMBERS IN THE MANUFACTURING AND ENGINEERING AREAS. WE WANTED TO GIVE THEM THE BEST VIEWS, BECAUSE WITHOUT THESE PEOPLE WE WOULD NOT BE IN BUSINESS. THIS MAY SOUND CORNY. BUT WE MEAN IT, AND THEY KNOW IT. WE SOLVED THE PROBLEM OF RADIO PLAYING BY ESTABLISHING ONE RULE: HEADSETS ONLY. MAYBE THEY'RE STUDYING THEIR FRENCH LESSONS, AND MAYBE THEY'RE LISTENING TO MICHAEL JACKSON. SO LONG AS IT DOES NOT INTERFERE WITH WORK, THE CHOICE OF SOUND IS THEIRS ALONE.

WE ALSO HAVE THE ADVANTAGE OF BEING IN A BUSINESS THAT IS ESSENTIALLY HUMANITARIAN. WE HELP SAVE LIVES, AND EVERY TEAM MEMBER IS AWARE OF JUST HOW SPECIAL THAT IS. I THINK THAT FEELING OF PRIDE GIVES EACH OF US AN INCENTIVE TO MAKE SURE THAT EVERYTHING WORKS.

BY NOW, I AM SURE THAT SOME OF YOU THINK PHYSIO-CONTROL IS A CROSS BETWEEN THE BOY SCOUTS, COLLEGE FOOTBALL AND POSITIVE THINKING WORKSHOPS OF NORMAN VINCENT PEALE. I CAN ASSURE YOU, OUR PRACTICES ARE ALSO VERY GOOD BUSINESS. THERE IS SOMETHING ABOUT ENTHUSIASM THAT IS CONTAGIOUS. NEW TEAM MEMBERS, I AM TOLD, COME TO PHYSIO AND LOOK SKEPTICAL WHEN THEIR CO-WORKERS TELL THEM ABOUT MARCHING BANDS AND PANCAKE BREAKFASTS AND

WORKBENCHES WITH VIEWS OF THE CASCADE MOUNTAIN RANGE. I MEET WITH EVERY NEW TEAM MEMBER, AND I TRY TO TELL THEM WHY WE DO WHAT WE DO, AND WHY IT IS IMPORTANT TO THE TEAM'S EFFORT. I AM TOLD THAT WITHIN A FEW WEEKS, MOST OF THOSE NEW TEAM MEMBERS HAVE BECOME BELIEVERS, AND I DO NOT THINK THAT IT IS JUST THE SWEET SOUND OF MY VOICE. AS ONE OF OUR MANAGERS SAYS, "IT'S AMAZING HOW EFFECTIVE IT IS JUST TO TELL PEOPLE WHAT YOU WANT TO GET DONE."

I CAUTION ANYONE WHO MIGHT WANT TO IMPLEMENT THESE PROGRAMS AS MANAGEMENT PLOYS THAT THEY WILL NOT WORK IN THAT FASHION, ANY MORE THAN A LIGHT BULB CAN BE USED EFFECTIVELY AS A HAMMER. IF SEEMINGLY BENEFICIAL PROGRAMS ARE CYNICALLY OFFERED, THEY WILL BE CYNICALLY RECOGNIZED AND SCORNED -- AND RIGHTLY SO. AT PHYSIO-CONTROL, WE STARTED TREATING INDIVIDUALS THIS WAY BECAUSE IT WAS HOW WE WANTED TO BE TREATED. IT STARTED OUT AS A PHILOSOPHY, GREW TO BE A TRADITION AND IS NOW A PART OF OUR CORPORATE CULTURE -- OUR CORPORATE PERSONALITY, IF YOU WILL. TO BE EFFECTIVE, WE HAVE TRIED TO BE CONSISTENT. WE HAVE BEEN TEMPTED, BUT WE HAVE RESISTED CHANGING OUR BELIEFS, OR ABANDONING THESE TRADITIONS TEMPORARILY, TO DEAL WITH A NOT AS USUAL BOTTOM LINE GROWTH. THERE IS A CHINESE SAYING THAT DEEDS ARE MORE ELOQUENT THAN WORDS. OVER THE LONG HAUL, I THINK OUR DEEDS HAVE SHOWN TEAM MEMBERS WHAT WE BELIEVE IN, AND I THINK THAT THE MEMBERS OF THE TEAM AGREE WITH THE ELOQUENCE OF OUR ACTS AND OUR BELIEFS.

THERE REMAINS THE QUESTION OF HOW TO TRANSLATE THE PHYSIO-CONTROL EXPERIENCE INTO THE HUGE ORGANIZATIONS OF THE FEDERAL GOVERNMENT. ADMITTEDLY, IT WAS EASIER TO COMMUNICATE THINGS WHEN THERE WERE FIVE OF US AT PHYSIO-CONTROL 18 YEARS AGO THAN IT IS TODAY WITH OVER 1100 OF US SPREAD AROUND THE WORLD. BUT THAT'S WHAT MANAGEMENT IS FOR -- TO HIGHLIGHT OBJECTIVES, TO EMPHASIZE GOALS, TO GIVE VISIBILITY TO BASIC BELIEFS. IF THE C.E.O. OF IBM CAN DO IT, WITH A QUARTER OF A MILLION PEOPLE, THEN IT CAN BE DONE IN THE FEDERAL GOVERNMENT. WITH DIFFICULTY, YES. A STEP AT A TIME, YES. A DISTRICT AT A TIME, AN OFFICE AT A TIME, A PERSON AT A TIME. CARING ABOUT A TASK IS A PERSONAL DECISION.

I ENCOURAGE YOU TO DROP IN TO A POST OFFICE SOME AFTERNOON, OR A PASSPORT OFFICE OR A SOCIAL SECURITY OFFICE. NO ADVANCE NOTICE. NO AIDES. JUST STAND AROUND AND WATCH. YOU WILL SEE SOME OF THE NICEST, MOST HELPFUL CIVIL SERVANTS YOU WOULD EVER WANT TO DO BUSINESS WITH. AND WORKING RIGHT ALONG SIDE OF THEM, YOU WILL DOUBTLESS FIND SOME OF THE MOST UNCARING. HOW DO YOU REWARD THE ONES WHO CARE, AND MOTIVATE THE ONES WHO DO NOT? WITH MORE THAN 2 MILLION GOVERNMENT EMPLOYEES, I AM CERTAIN IT WILL BE A LONG, HARD HAUL. BUT I AM ALSO CERTAIN THAT THE BEGINNING STEP IS THE RECOGNITION OF INDIVIDUALS, AND IMPRESSING UPON THEM THEIR SINGULAR ROLE IN THE ORGANIZATION AND THEIR UNIQUE VALUE TO IT. IT IS WITH INDIVIDUALS -- ONE AT A TIME -- THAT CHANGE WILL ULTIMATELY COME.

THANK YOU FOR THIS OPPORTUNITY.

TESTIMONY OF DR. ROBERT F. ALLEN BEFORE THE SUB-COMMITTEE ON CIVIL SERVICE, POST OFFICE, AND GENERAL SERVICES OF THE SENATE COMMITTEE ON GOVERNMENTAL AFFAIRS

I am Robert F. Allen, a Ph.D. psychologist, professor, and author that heads up a systems development, training and consultation firm known as the Human Resources Institute. At our Institute we develop culture based organizational improvement programs for corporations, unions, public and private agencies, schools, colleges and universities. We have been carrying out this work for more than twenty years and the processes that we have employed and the results that we have achieved have been widely reported in the management and behavioral science literature.

The major thrust of my testimony to you today is that while significant improvements are in fact possible in the performance quality, morale, and productivity of our various government agencies, these improvements are not likely to be achieved by the methods and approaches that are currently being employed and most frequently recommended. I would like to go even further to suggest that most of our present efforts do more harm than good by raising people's wishes and expectations when in point of fact there is not a particle of chance that they can succeed. This cycle of periodically raised hopes and consistent failures results in feelings of frustration, anger, and helplessness that sap the creative energy and capacity of even our most dedicated employees.

The number of bugle calls that the typical government employee has responded to in his or her governmental career is so great that most cannot even count them, much less remember what they were all about. These bugle calls come in the form of new organizational training programs, new procedural systems, new management approaches, new work procedures. They have a host of different titles such as Management by Objectives, Zero Based Budgeting, Flexible Work Practices, Work Enrichment, Supervisory Effectiveness, Integrative Management, etc., etc., There are Theories X, Y, and Z, and over a period of time most letters of the alphabet are represented. Unfortunately for the typical employee, and unfortunately also for the beleaguered agencies that employ them and for the taxpayer as well, the results, if they appear at all, are only short-lived, disappearing soon after the initiators of the program complete their work and move on to other projects or other agencies.

As with punching into a giant pillow, when we punch hard enough with enough dollars, effort, attention, etc., we will make a temporary indentation, but when we remove our fist, the pillow will soon puff up again and throw off the change, leaving things pretty much the way they always were. The pillow in our analogy is the pillow of culture. Most of our change programs in governmental as well as private sector organizations neglect the power of the underlying culture, and as a result leave very little in the way of lasting improvements.

THE SIGNIFICANCE OF CULTURE

Cultures, while significant in their impact, are not all that difficult to understand. Whenever people come together over a period of time with a shared purpose, they form a culture. The basic building blocks of these cultures are the norms or expected behaviors that exist within them. These norms guide what we wear, our hair style, and the productivity and commitment of employees. They affect how we relate to one another and how managers manage and how supervisors supervise. When we attempt to change surface behaviors without changing the underlying norms that relate to them, little is likely to be accomplished.

An attendance improvement program was conducted in a large organization that I am familiar with. New attendance control systems were installed; top management let people know, "We mean business this time"; bulletin boards and company newsletters talked of little else. The employees, after some initial resistance, seemed to go along, masking their underlying feeling that "this too shall pass."

After three months, absenteeism had been decreased 50% and several thousand dollars had been saved. This was cause for celebration, and congratulations were offered to the initiators of the program. Even the early doubters had to admit that the "results" had indeed been secured.

But that was the last of the good news. The next three-month period saw a little "slippage" as did each succeeding three-month period. A hurriedly administered booster shot moved things up temporarily, but two years later attendance had dropped--and dropped below the original pre-program level.

This, unfortunately, is not an isolated case. Similar stories can be told about zero-based budgeting, Management-by-Objectives programs, litter clean-up campaigns, cleaning up "the mess in City Hall," ending corruption in police departments, straightening out the nursing home scandal, or cracking down on safety violations. Many, many programs achieve what their perpetrators and even their critics would call "results," which in the long run aren't really results at all.

Illusory and short-term "results" usually end up creating more problems than they solve. Not only are the results themselves dissipated rapidly, but perhaps even worse, people become frustrated, and despair of ever being able to bring about significant change. The destructive build-up of feelings of helplessness frequently proves even more harmful to the achievement of long-range objectives than if there had been no results at all. This kind of disillusionment occurs so often that we frequently hear standardized jokes about it:

> "The more things change, the more they remain the same."
>
> "We've had our war on poverty--and we lost."
>
> "A new management? It's just the chiefs upstairs changing blankets again."

"You can't fight City Hall--you just have to live with it."

But it is no joke when it continues to happen to us over and over again. The frustration of seeing "results" shine out like Fourth of July fireworks, and then as quickly die off, becomes chronic and invites cynicism. Again and again, in culture change projects in businesses, schools, hospitals, agencies and communities, this build-up of experience-based disbelief has proved to be one of the most severe obstacles to be overcome.

And yet the realistic belief in the possibilities of positive change is a requirement for a democratic society. How else can people get the energy together for the significant tasks that lie ahead? If they can't even lower absenteeism, how are they ever going to cope with the problems of war, poverty, racism, and the destruction of the environment?

Fortunately, it has been our experience that solutions are available. They lie in the malleability of the soft pillow of culture, for the very resiliency that causes it to swallow up changes is an asset that can be used to sustain change. It is possible to make use of the culture's "softness" and pervasiveness. Data and experience show that steps can be taken that work, and work well, and a systematic process has been developed that enables people to create solutions on their own and sustain change after the consultants have left.

Using this systematic process, organizations have reduced absenteeism, communities have reduced litter by from 65-75% and maintained these reductions for years without further help from outsiders. Managers have built new plants in record time, with excellent teamwork and high morale. Retail stores have reduced shrink (employee and customer theft, waste and breakage) and have maintained these reductions, passing on some of the savings to the customers in the form of reduced prices and to employees in the form of increased income while still having enough left over to increase their profits. Workers and managers have gotten together to increase productivity on a sustained and mutually helpful basis.

Essential to each of these successful efforts was the realization that what we have thought of as results in the past is only a partial picture of what we need to achieve. The whole picture involves more than short-term results, and includes the actual changing of the ways of doing things in the organization. The lesson learned in these projects is that every change needs to be planned and measured in terms of its ability to modify the underlying cultural norms that influence it.

Our western culture traditionally focuses on individual achievement and motivation, and tends to overlook the tremendous power of the culture. Our organizations reflect this tendency, and need to deal consciously and thoroughly with cultural goals in order to hold onto any progress achieved. Unless the underlying cultures are modified, the "bottom line" results and installation of programs and subsystems will have little lasting meaning.

DEALING WITH CULTURES

The development of cultural change begins with a profound awareness of just how immense the impact of the culture is. Understanding culture sufficiently to break through barriers and institute change requires knowledge of the culture's component parts--the group norms that influence personal and organizational behavior.

When a person breaks a norm of a culture, he/she is usually penalized for it in some way. Sometimes it is only through a raised eyebrow ("I wonder how he/she could have gotten a harebrained idea like that?"), or it may be a more severe reminder, such as being penalized for not having kept some fat in the budget for across-the-board percentage-type trimming--a practice that falls harder on the cooperative person who has already trimmed, than on the person who has taken this possibility into account and provided inflated figures. Such penalites are very effective. How often, for example, will a person trim his/her initial budget to the core when others don't, and find his/her department severely handicapped when a 15% across-the-board reduction is the fate of all, regardless of the amount of "fat" left on for the contingency? Norms and their accompanying sanctions are a determining factor in many such types of situations. When a first-line supervisor thinks of employing minority groups or women in his/her section of the enterprise, one of the questions he/she is likely to be considering is whether or not this act on his/her part will jeopardize or help his/her chances within the company. The modification of this influence area will impact on the cultural norms surrounding EEO and will thus, to a large extent, determine the success of this program.

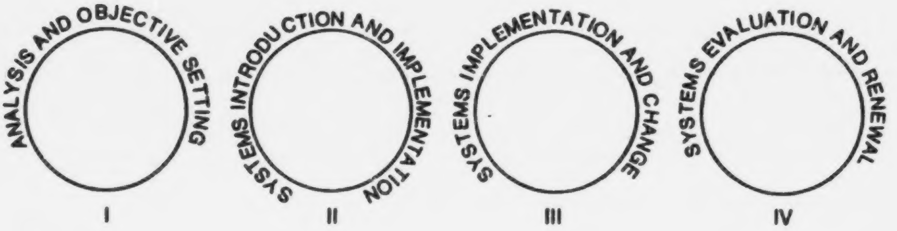
To achieve the cultural norms we have as objectives, plans have to be set up just as they are for performance and programmatic objectives. These plans focus on developing positive norms surrounding factors influencing cultures and cultural norms that are intrinsic to the everyday life of the organization. In our experience, the influence areas that have proved most important to develop and maintain are: support and confrontation, communications and feedback, interactions and interrelationships, training and orientation, and the commitment and allocation of resources.

If the key influence areas are not modified, it is unlikely that the desired change will "take," no matter how positive the initial results might seem. If people are to be penalized for practicing the "new behaviors," they will not be likely to continue them once they can find out a possible system to overcome them. But working with norms and norm-influence areas, people have been able to direct cultural change and make their organizations what they want them to be. In fact, most people are a great deal more capable of achieving these objectives than many organizational leaders would at first assume.

THE NORMATIVE SYSTEMS CHANGE PROCESS

It is important to see the understanding, identifying, and changing of cultural norms not as isolated procedures, but as integrated parts of an overall plan. A brief look at the four-phase Normative Systems model will show where they fit into the total change process. At each step along the way, the simultaneous focus on three levels of results adds to both motivation and achievement.

A SIMPLIFIED VERSION OF THE BASIC NORMATIVE SYSTEMS MODEL


ANALYSIS AND OBJECTIVE SETTING
I
SYSTEMS INTRODUCTION AND IMPLEMENTATION
II
SYSTEMS IMPLEMENTATION AND CHANGE
III
SYSTEMS EVALUATION AND RENEWAL
IV

Phase I: Analysis and Objective Setting: This first phase consists of an analysis of the organizational culture including the cultural norms affecting it as it currently exists, and the preliminary setting of three kinds of objectives based on what its members really want it to be. This phase is one of fact-finding and study, to assure that the change process is based on sound information. An instrument called the Norm Indicator aids in identifying existing norms, the Norm Profile (Illustration A) establishes the gap between what is and what is desired. The key norm influences affecting the culture are discussed, choices are made and goals set.

Phase II: Systems Introduction and Involvement: Here the system is introduced to those directly affected, involving them in the change process. During this phase there is a special emphasis on cultural norms and cultural objectives. Participants get a clear idea of what norms are and what their normative objectives might be. They have an opportunity, usually in a high involvement workshop, to try out the kind of culture they desire and to begin to create an environment in which change can take place. Here people learn the basic principles that will guide the change process; (1) involve the people most affected; (2) operate from a sound data base, (3) apply systematic strategies; (4) be clear in objectives, plans, and tasks; (5) look for non blame-placing solutions in which all parties can benefit; (6) be oriented toward results; and (7) build in a culture-based, sustained commitment and follow-through.

Phase III. Systems Installation and Change: Here the various elements of the organizational culture are systematically modified so that they can more effectively contribute to the achievement of the objectives that have been agreed upon. During this stage four key elements of the culture must be dealt with: (1) individual members; (2) work teams or peer groups; (3) leadership; and (4) the policies, programs, and procedures of the culture. Specific change programs are required in each of these four elements, each program directed toward modifying the norm influences that have previously been identified. The three levels of results are constantly up front in all four groups, and the cultural level is particularly stressed so that not only are problems solved but new ways of handling problems are built into the culture. Norm changes are put into practice within the day-to-day activities of the group and they are reinforced by rewards and support systems.

Phase IV. Evaluation, Renewal, and Extension: The fourth phase provides ongoing feedback about the effectiveness of the change program. It includes reevaluation meetings which may go on for many years. They are periodic checkups to review the positive norms, to either strengthen them or modify them according to the changing times, and to lend further support to the internalization of skills dealing with human problems. The results on all levels are evaluated, and readministration of the Norm Indicator provides a gauge for progress in attaining the cultural objectives. Extension to other areas of the organization, or to other concerns, is then possible and serves to strengthen achievement of the original project goals.

These four phases make up the basic process of any Normative Systems program. Whether the objective is to increase productivity on an assembly line, to achieve a more harmonious work force in an office, or to humanize a small committee or a whole community, the basic model is the same. Each step is important and cannot be omitted if change is to be successful and continuing.

To install Normative Systems is to begin a process that is ongoing, self-evaluative and self-renewing. It is not a simple panacea, and it involves much hard work, but out experience has been that when all parts of the system are accounted for and dealt with, meaningful change actually will come about, often at an amazing rate.

Although all this takes hard work and a continuing concern, it is heartening to realize--and to see in action--that cultures are extremely malleable. This characteristic can be disastrous to change programs that don't recognize cultural forces, but can be a boon to programs that systematically and consciously deal with them. The culture's amazing resilience means that it can take on the new, planned, constructive norms within a short time, and that helplessness and cynicism can be quickly replaced by realistic hope.

In summary, successful efforts have:

* Involved all the people of the organization in helping set the kinds of objectives and change processes that are required

* Set realistic goals based on sound information. They have stated these clearly and checked to see that they were perceived clearly by the people affected.

* Focused on results that will benefit all parties concerned, not just one segment.

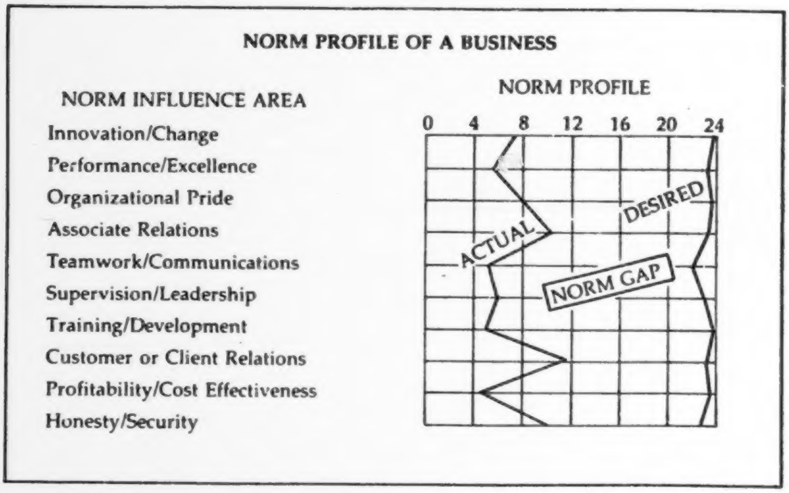
- And most importantly, they have emphasized Cultural Objectives and made sure that people followed through on changing key cultural norms.

The lessons learned in successful, systematic, culture-based efforts are applicable in a variety of different types of organizations, and the basic processes are essentially the same. Our attention to culture can be a key to making organizational worlds the kinds of worlds people really want--the kind where they are in control of change, creators of their work environments rather than victims of what happens to exist.

Culture based change programs of the type that I am recommending here are, in my opinion, particularly applicable to the work of governmental organizations and agencies. Applied intelligently, they could make a major difference in the productivity, performance quality, and morale of our governmental workers and our governmental agencies.

ILLUSTRATION A

NORM PROFILE DERIVED FROM CULTURAL DATA COLLECTED WITH NORM INDICATOR



Cultural norms (such as those in Illustration A) are posed in both negative and positive terms, and from the survey a Norm Profile can be drawn, showing how great the norm gap is, i.e., how much needs to be accomplished in the way of cultural change. Only when positive norms are perceived to exist in the organization, can people arrive at the belief that actual change has taken place and will be sustained. This same instrument can be used for periodic evaluation during the implementation phase, and later can be used to strengthen and renew the change effort.

Just as planning charts are commonly used for performance objectives, so they can be set up to help us deal with cultural objectives. Illustration C is a sample excerpted from a chart used to help develop positive norms in the areas of zero-based budgeting and absenteeism.

ILLUSTRATION B

EXCERPTS FROM A PLANNING CHART FOR CULTURAL OBJECTIVES

Norm Objectives	Influence Areas for Norm Changes	Who	Time Frame
Budgeting: To develop positive norms in the area of zero-based budgeting as measured by the norm indicator prepared for that purpose. The general norm objective of the program would be for all people with budgetary responsibilities to continually examine and review the cost effectiveness of all company expenditures.	Recognition and reward will be given for practicing zero-based budgeting procedures and existing policy will be reviewed . . . . Top management will reflect zero-based budgeting norms in their own behavior, and will be fully committed to the use of ZB procedures. Budget will be allocated for teaching department heads and for helping them understand the cultural norms involved . . . etc.	All supervisors and managers	1 year
Absenteeism: To develop positive norms in the area of absenteeism as measured by the norm indicator prepared for that purpose. The general normative objectives of the process would be to assure that being on the job each working day, barring serious illness, is the supported, expected and rewarded behavior within the organization.	Good attendance practices will be rewarded; the compensation system will reflect this	All employees	1 year

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Senator BINGAMAN. The subcommittee is now recessed.

[Whereupon, at 11:58 a.m., the subcommittee recessed to reconvene at the call of the Chair.]

MANAGEMENT THEORIES IN THE PRIVATE AND PUBLIC SECTORS

WEDNESDAY, SEPTEMBER 26, 1984

U.S. SENATE,
SUBCOMMITTEE ON CIVIL SERVICE,
POST OFFICE, AND GENERAL SERVICES,
COMMITTEE ON GOVERNMENTAL AFFAIRS,
Washington, DC.

The subcommittee met at 10:03 a.m., in room SD-124, Dirksen Senate Office Building, Hon. Ted Stevens (chairman of the subcommittee) presiding.

Present: Senators Stevens and Bingaman.

Staff Present: Wayne A. Schley, staff director; Jeffrey D. Landry, assistant counsel; Pat Phillips, chief clerk; Edwin S. Jayne, minority staff director; and Sheb Adkisson, professional staff assistant.

OPENING STATEMENT OF SENATOR STEVENS

Senator STEVENS. Good morning.

I want to start off by explaining that I have to present the defense bill to the Appropriations Committee this morning. That was not anticipated until last evening.

So I am happy we are holding the second of two hearings concerning private and public sector management theories. A week ago we had a series of very qualified witnesses. This week we have, again, invited distinguished authors, academics, corporate officers, and public officials to share their management experiences and insights with us.

Senator Bingaman will chair the hearing, and I look forward to being able to review the record when it is completed. This is a record we will ask the Senate to print so that we can try to make certain the whole Senate learns from this series of hearings.

I hope you will excuse me. Jeff, I apologize.

OPENING STATEMENT OF SENATOR BINGAMAN

Senator BINGAMAN [presiding]. No problem. We hope the defenses of the country are protected.

Let me once again thank Senator Stevens for having these hearings. This is the second and final day this fall in this series of trying to identify management initiatives which perhaps are taking place in the private sector and some that are taking place in the public sector and to identify some things that we might be able to do to stimulate more attention to management issues in the Federal Government.

Last week we had hearings that included both people from the civilian side of the Federal Government, the General Accounting Office, the Bureau of Labor Statistics, and also some people from the military side of the Federal Government talking about a quality circle program that has been instituted at a facility in my home State of New Mexico. We also had testimony from the private sector discussing actions being taken to improve morale, to improve efficiency, to cut costs and I thought we had an interesting discussion about the transferability of some of those things to the public sector. Those are the issues we are focusing on here.

[Senator Bingaman's prepared statement follows:]

PREPARED STATEMENT OF SENATOR JEFF BINGAMAN

I would like to express my further appreciation to Senator Stevens for holding the second day of hearings on the issue of management initiatives in the public and private sectors. Last week we heard testimony from the General Accounting Office and the Bureau of Labor Statistics who provided us with an overview of methods currently being used in the Federal Government. We heard from three private sector representatives who spoke on successful implementation of innovative management theories and techniques within their respective companies, and we heard testimony from White Sands Missile Range where the program of quality circles has been successfully implemented for several years.

Effective management is a very important aspect of the Federal Government. Improved management can have lasting results through greater efficiency, economy and productivity in the delivery of necessary services to the public. Perhaps most importantly, improved management can result in greater employee satisfaction and improved morale in the Federal Government. We must continue to explore management initiatives in the public and private sectors and encourage greater innovation and experimentation.

The testimony from the hearing of last week and that being delivered today points out some significant differences between the options of management in the public and private sectors. One set of differences is that the private sector deals with smaller numbers of people, has more flexibility in setting new policy, facilitates more personal contact, and tends to develop innovative policies. In contrast, the Government sector operates with over 2½ million employees, must respond to numerous regulations, uses written rather than face-to-face communication, and perhaps to some degree resists new and innovative management options. Our hope is that the witnesses, in sharing their strategies, will give this committee their recommendations about how Government can operate in a more effective manner. We need to promote those practices that have been successfully implemented in the public sector and encourage those practices that have worked well in the private sector for similar results in the Federal Government.

I look forward to hearing the testimony today.

Senator BINGAMAN. I would say at the start that I greatly appreciate the witnesses coming here and being willing to testify. We have a distinguished group of witnesses today. We have essentially 2 hours for the hearing, and we have six witnesses. One of the six is a panel from the Center for Excellence in Government.

Without further introduction, let me call the first witness. If each of you will summarize your statements and emphasize the points you would like to make clear, the statements that you have prepared will be incorporated into the record in complete form. We are anxious to hear from each of you.

Our first witness is Robert Hillyer, technical director for the Naval Ocean Systems Center. He has a distinguished career, received numerous awards from the Navy and from this administration. He has held several positions in the Navy, and also worked with naval laboratories since 1957. As I understand, he has served as technical director for the Naval Ocean Systems Center since

December 1983. He is going to speak about the Navy personnel demonstration project at China Lake, CA. If you would, please come forward and give us your contribution to the discussion today.

TESTIMONY OF ROBERT M. HILLYER, TECHNICAL DIRECTOR, NAVAL OCEAN SYSTEMS CENTER, DEPARTMENT OF THE NAVY, SAN DIEGO, CA

Mr. HILLYER. Given your permission, I will enter my written statement into the record and make a few summary remarks.

I propose to talk a little about three areas—a brief description of our demonstration project; some results having been in effect now for almost 4 years; and then some general comments about motivation and performance of public sector employees, especially in DOD laboratories.

The demonstration program was started to demonstrate improved personnel management in the public sector. We were looking for an integrated approach to payment schedule and job classification. Really we were looking for better interaction between supervisors and employees and improved motivation and performance of our work force.

Our demonstration program that was authorized by the Civil Service Reform Act contains the following principal areas: First, a simplified classification system; second, a simplified and much improved performance appraisal system; performance-based compensation—that is tying pay to performance; performance-based retention in times of drawdown or reduction-in-force; and finally, but equally important, improved recruitment allowing us to recruit high quality personnel into our laboratory system and especially high quality scientists and engineers.

The easiest description of our demonstration project is to say we have installed a private sector personnel management system in a Government laboratory. We, in designing the system, carefully studied the personnel systems used by both major and small industry in our country and adopted a montage of their personnel management systems.

To say we adopted any one is wrong. What we did was take the best features and the features which could be applicable to a Government organization and combined them into what we believe has proven to be an effective personnel management system.

As I said, we have been in being for almost 4 years. We have had continual evaluations underway and internal evaluation at each of the two centers involved. All the signs of the evaluations are positive so far, and I fully expect them to remain that way. Let me highlight a couple.

Performance appraisal is seen as more effective by both employees and supervisors. That is important. The project has high acceptance by both employees and supervisors. As a matter of fact, granting almost four to one, or actually slightly over four to one, for our line management, most of which are middle management personnel, and somewhat in excess of two to one among journeymen employees. We are pleased with that ratio and think it will continue to improve.

The link between personnel actions—promotion and adverse actions—and salary adjustments is seen as high by both employees and line management.

The value of a challenging work opportunity in that environment is seen as high. This has resulted in improved retention of employees. Morale seems to be up at both centers and significantly increased relative to two control Navy laboratories. But I think most importantly, what we have accomplished is improved interaction and communication between line management, our supervisors, and our employees. That has resulted in a more productive work force, but what it really has resulted in is better understanding and therefore higher morale. Those two factors in themselves lead to a more productive work force.

The other principal advantage we have seen has been in recruitment. We are really able to recruit high quality scientists and engineers into our laboratory system.

I would like to turn for just a minute to a more general subject of motivating and enhancing the performance of employees in a Government laboratory. Three factors are important, I believe. First is recruitment, being able to conduct a strong recruitment program and attract top quality people. The two centers hired almost 100 engineers and scientists each last year. Between the two centers the grade average was on the order of 3.5. That is normalized to a 4 system. They are dedicated, hard working, and competent young people and will provide the future of our organization.

Second is establishing a challenging job environment and one where there is good dialog and understanding and understanding of its contribution to the Nation.

Third is establishing an atmosphere of job and self satisfaction where people understand what is required of them; they understand what their contributions will be and the impact of those contributions. We think we have very effectively done that.

We are grateful to the Congress for allowing us to implement this demonstration program. I am confident that you will be convinced as we are that it has significantly enhanced the motivation and productivity of our employees and that the Nation's defense and our Navy have benefited as a result. We are also confident that it will serve as the basis for future legislation in enhancing and improving personnel management in the field.

Thank you and I am prepared to answer any questions.

Senator **Bingaman**. Thank you very much. Let me ask a general question. I understand the demonstration project that you are involved in was established under the authority of the Civil Service Reform Act.

Mr. **Hillyer**. That's right.

Senator **Bingaman**. How extensively has that authority been exercized in addition to your project? Are there other examples that can be pointed to or is yours unique?

Mr. **Hillyer**. Ours is almost unique. I only know of one other CSRA demonstration program, and that is a much smaller program, in the FAA.

Senator **Bingaman**. I gather from what you said that your view is the Federal Government should get busy and greatly expand the use of this authority under the Civil Service Reform Act. Is that accurate?

Mr. HILLYER. Yes, sir, that is accurate. I tend to give us high marks in designing the system. It has been effective. As a line manager, I have used it at both of the involved centers. I find it an effective personnel management system with far less paperwork and yet as much control and positive results as the system we operate under now.

As you are aware, or probably aware, there are some draft bills winding their way through the executive part of the Government and I am highly supportive of them and I think they should proceed.

Senator BINGAMAN. In your view, how large a problem do we have with the pay available for scientists, engineers, and others in the Federal Government as compared to the private sector? Is this a major concern we need to address ourselves to?

Mr. HILLYER. I believe that that problem is most serious on the two ends of people's careers. It is important in recruiting. We are unable to match private sector starting salaries. As a matter of fact, even with the demonstration program, which gives us considerable more flexibility, we are still unable to match starting salaries for the top quartile of the people. On the other hand, we never will be able to; if we raise our starting salaries, the private sector will raise theirs. So what we have got to do is get close and then offer other benefits and other opportunities which will allow us to recruit.

I think we have got a lesser problem at the journeyman level, midcareer for people. I think at the senior level we have a serious problem again. People like myself, or I suspect yourself, sir, don't work for the Government for money. There is a salary disparity there at the senior level and it is difficult to maintain the quality.

Senator BINGAMAN. Are there any other changes in your authority that you think would be crucial to significantly improving your operation even more than you see it? Do you feel there are any constraints on your ability to function now which are still major impediments to your organization?

Mr. HILLYER. Restrict that answer to personnel system, of course.

Senator BINGAMAN. Right. You would like more money, I am sure, but other than that.

Mr. HILLYER. Given that restriction and given the current demonstration program, I think the answer to that is no. I believe with all of its features, it offers enough freedom to the line managers to effectively manage their personnel. It does not go as far as the private sector system, nor should it. We do work in public sector laboratories.

Senator BINGAMAN. I appreciate your testimony very much. Everything I have heard about your program is extremely impressive and we will do what we can to see that the authority under which you are operating is used more extensively in other segments of the Federal Government.

Mr. HILLYER. Thank you, sir.

Senator BINGAMAN. Thank you for coming today. I appreciate it.

Mr. HILLYER. I appreciate the opportunity very much.

[The prepared statement of Mr. Hillyer follows:]

STATEMENT OF

ROBERT M. HILLYER

TECHNICAL DIRECTOR, NAVAL OCEAN SYSTEMS CENTER

Mr. Robert M. Hillyer was born in Sayre, Pennsylvania. He received his B.S. degree in Mechanical Engineering from the University of Idaho in 1957, and his M.S. degree in Mechanical Engineering from the University of California at Los Angeles in 1964. He completed an additional year of graduate study at UCLA in 1965 under a Weapon Control Systems Engineering (WEPCOSE) Fellowship.

Mr. Hillyer has served the Navy laboratory system since 1957. On active duty as a naval officer from 1957 to 1960, he was assigned to the Naval Ordnance Laboratory, Corona, as project engineer on safety-arming devices and contact fuzes for Sidewinder missiles. In the ensuing years, as a civilian in the Fuze Department at Corona, he conducted applied research programs on explosive trains, electric explosive devices, and a sea-launched satellite interceptor. He served as Branch Head and Assistant Division Head in the Fuze Department's System Analysis Division. In 1970, concurrent with the transfer of the Naval Ordnance Laboratory to the Naval Weapons Center, Mr. Hillyer became Head of the Fuze Department Division and later Head of the Fuze Department. In 1975 he was assigned as the Head of the Resources and Technology Office, which was responsible for management of the Center's technology base program, long-range planning, and resource management. Upon reorganization of NWC in 1976, he became Laboratory Director/Deputy Technical Director. In January 1978, after eight months as Acting Technical Director, Mr. Hillyer was selected as Technical Director. In July 1982, Mr. Hillyer was appointed as the Director of Navy Laboratories at Headquarters Naval Material Command in Washington, D.C. In December, 1983 he assumed duties as Technical Director at the Naval Ocean Systems Center, San Diego.

Mr. Hillyer's awards include the Navy Holloway Plan Fellowship, the Naval Ordnance Laboratory Fellowship, and the Navy WEPCOSE Fellowship. He was listed in Outstanding Young Men of America in 1966. He was granted Distinguished Rank in the Senior Executive Service by the President in November 1982. In August 1983, Mr. Hillyer received the Department of the Navy Distinguished Civilian Service Award.

Mr. Hillyer is married to the former M. Luverne Glynn. They have four children: Regina, Linda, Michelle, and Thomas.

10 September 1984

Mr. Chairman, Senators: I appreciate the invitation to share with you some of my thoughts about the motivation and performance of the federal employee. My remarks will focus on three areas:

1) A brief description of the Civil Service Reform Act Demonstration Project at the Naval Ocean Systems Center, San Diego, and the Naval Weapons Center, China Lake;

2) Some of the results of the project that we have seen to date, and

3) Some general comments about the motivation and performance of employees.

First, however, let me tell you briefly about myself. I have been the Technical Director of the Naval Ocean Systems Center, San Diego, since December 1983. I reported there after a year and a half as Director of Navy Laboratories, working for the Chief of Naval Material.

My involvement with Navy laboratories began in 1957 while serving on active duty as a naval officer at the Naval Ordnance Laboratory, Corona, California. I left active duty, but remained with the Navy research and development community in Corona and later with the Naval Weapons Center at China Lake.

From 1978 until 1982 when I was appointed Director of Navy Laboratories, I was Technical Director of the Naval Weapons Center. It was during this period that the planning and implementation of the Demonstration Project occurred. Thus I come before you with extensive experience in the federal civil service, but it has been limited to the Navy Laboratory System. Also, I am intimately knowledgeable about the Demonstration Project, having served as the senior civilian at both Navy laboratories involved in that project, and viewed the project from a higher level as Director of Navy Laboratories.

The Civil Service Reform Act of 1978 authorized the Office of Personnel Management to permit federal agencies to conduct demonstration projects to determine if changes in personnel management policies or procedures would result in improved federal personnel management. The first and only major project approved and implemented to date is the Navy's joint Naval Ocean Systems Center/Naval Weapons Center Demonstration Project, initiated in July 1980. A smaller project has since been implemented at FAA.

The purpose of the project is to demonstrate that the effectiveness of federal laboratories can be enhanced by developing an integrated approach to pay, performance appraisal and position classification, and by allowing greater managerial control over personnel functions. At the same time, the system expands the opportunities available to employees through a more responsive and flexible personnel system. To accomplish this, the Demonstration Project includes the following:

* A more flexible, manageable and understandable classification system which combines the 18 General Schedule (GS) grade levels into occupational groups called career paths. Each career path is divided into broad pay bands which represent levels of difficulty.

* An appraisal system that links compensation to performance

* An expanded application of the merit pay concept for both supervisory and non-supervisory employees at all grade levels, and

* An emphasis on performance as a primary criterion for retention in a reduction-in-force, while retaining tenure, veterans preference and length-of-service factors.

The four factors—simplified classification, simplified performance appraisal, performance-based compensation and performance-based retention—lead to a fifth principal factor of the Demonstration Project: the enhancement of recruitment of quality candidates.

Actually, this system is similar to many that are found outside the government. What the Demonstration Project has essentially done is to install a private sector personnel management system in public sector federal laboratories.

CLASSIFICATION

We have moved from a system in which there are detailed written descriptions of each position and books full of narrative classification standards requiring a lot of judgemental decisions by position classifiers, to a much more streamlined system. Paperwork is drastically reduced and the primary responsibility is shifted from the personnel office to line managers. This removes classification from a kind of adversarial system between managers and personnel specialists to a system that is more easily understood by everyone, including the employee.

The broad pay bands equate to entry level, trainee, journeyman, senior level, and super grade or public law equivalent. These are much more readily identified and understood by employees, line managers, and personnel specialists than are the GS 1 through 18 classification grades. And that's it: simple, easy to administer and with a minimum of paperwork.

The broad pay bands carry an additional benefit for recruiting high caliber scientists and engineers. We now have the ability to adjust in-hire salary offers a little closer to the market, and somewhat more quickly than we could under the "special salary rates" authorized, or not authorized, annually by the Office of Personnel Management. Our offers at NOSC and NWC have been pegged generally at the 50th percentile of salaries as reported by the College Placement Council. While salary is not the only reason for our recruitment success, it cannot be denied that it is a primary factor.

APPRAISAL SYSTEM

Pay for performance provides us a means to recognize high performance with commensurate pay. For example, we no longer have to contend with narrative classification standards about whether a person - or his job - is a very strong GS-12 or a marginal GS-13. If he is performing well, we can reward him appropriately. By the same token, we can withhold salary increases from those who are not performing well.

Our performance appraisal system is also simplified. By that I do not mean simplified necessarily according to the old GS system in which everybody got "satisfactory" except for the two percent who got "unsatisfactory," but simplified when compared to other current systems. We minimize documentation and try to make the evaluation process a positive rather than a threat situation.

EXPANDED APPLICATION OF MERIT PAY CONCEPTS

The basic approach is the same as Merit Pay, but applies to all employees. The supervisor and employee sit down at the beginning of the appraisal period and mutually establish a set of "goals" for the employee to meet. At the end of the period, they meet again and discuss how well the goals have been achieved. Following this, the supervisor determines the employee's performance rating, which in turn determines the salary increase, if any, or bonus, if any, payable in October. Unlike Merit Pay, the system is simple and workable.

PERFORMANCE BASED RETENTION

Performance-based retention means that in the Demonstration Project we would be able to retain our high performers in the event of a reduction-in-force, thus limiting the amount of damage to our personnel resources. By establishing each career path as a separate competitive area, we avoid the rippling effect of bumping and retreating into other occupational groups, which generally affects four times the number of people who otherwise would be affected. Persons who are outstanding to fully satisfactory will be protected over those who are marginally satisfactory or unsatisfactory. After performance, tenure group, veterans preference and length of service remain as the other three factors in determining retention priority.

To assess Demonstration Project results and the feasibility of applications to other federal organizations, evaluation is being conducted both internally within each Center and externally. The Office of Personnel Management is serving as the external evaluator. The evaluation effort monitors the implementation of the project and assesses whether these changes in personnel management policies and procedures will result in improved federal personnel management. To help isolate effects of the project, changes at the two participating centers are being compared with data from two other Navy Research and Development Centers—the Naval Air Development Center and the Naval Surface Weapons Center.

Recruitment and retention success are being evaluated along with management issues of equity, motivation, satisfaction, mobility, line management flexibility, accountability and changes in the number of adverse actions. Employee attitude surveys are being conducted. In addition there are management audits, exit interviews and other analyses involving recruitment, mobility and sponsor satisfaction. Records are being analyzed to ensure that this project has no negative impact on women, minorities or the handicapped.

Already, the employee surveys are turning up some significant differences between Demonstration Project and control laboratories. For example:

* As a result of both the Demonstration Project and the Civil Service Reform Act, performance appraisal was viewed as a more effective process than the systems in operation prior to the Reform Act at all four laboratories, but significantly more so at the Demonstration labs.

* The link between performance appraisal and personnel actions was perceived more strongly at the Demonstration labs than at the control labs.

* Satisfaction with pay was significantly higher at the Demonstration labs.

* At NWC and NOSC, significantly fewer supervisors reported that their ability to manage was restricted by rules and regula-

tions. No similar changes occurred at the control labs.

* Compared to the control labs, significantly more supervisors at NWC and NOSC agreed that they had enough authority to hire competent people when needed, to promote and to determine employee pay.

* The intrinsic value of challenging work opportunities was viewed as more important by employees at the Demonstration labs, while promotional opportunities were seen as less important than at the control labs.

* Employee-supervisor interaction was viewed as more frequent at the Demonstration labs, which can be attributed to the objectives-based performance appraisal system introduced at the Demonstration labs.

* Through the first three years of the Demonstration Project, the social-organizational climate was more positive at NWC and in the beginning was least positive at NOSC. During those three years, however, significant changes took place at NOSC and job satisfaction at NWC and NOSC became equally positive. That job satisfaction was significantly greater than job satisfaction at the control labs.

Perhaps the most telling result of the Demonstration Project at the Naval Weapons Center and the Naval Ocean Systems Center is the response by supervisors to the question: "Overall, would you rather work in the Demo Project environment than in the pre-July

1980 personnel management system?" The answer to the question was an impressive 82 percent "Yes" and 18 percent "No." I am confident that the number of positive responses will be higher in future surveys.

The management personnel of the Demonstration Project centers are well pleased with the results of the program thus far. We think the "Demo Project" does and will continue to demonstrate that a simplified, management-centered personnel administration process leads to more efficient and effective use of resources and that it increases morale and productivity.

Now let me say a few words about motivation and performance that are perhaps outside the lines of the Demonstration Project.

I believe that there are three primary requirements to maintain a highly motivated productive workforce in a federal laboratory or R&D Center: An effective recruitment program; a professional and challenging job environment; and an atmosphere where both job and self satisfaction prevade.

An effective recruitment program brings talented new people into the organization. We have a New Professional Program at the Naval Ocean Systems Center and a similar program at the Naval Weapons Center, which brings each Center from 70 to 100 new scientists and engineers each year. About 60% have bachelor degrees, 25% Masters, and 15% PhDs.

Even with the Demonstration Program we frequently cannot match industry starting salaries. However, we have had significant success in recruiting by offering the college graduate an almost academic freedom in choice of area of work, rapid accession of responsibility, and interesting and challenging, hands-on, technical work. All of this done in an environment concusive to professionalism. The reputation of the Center as a good place to work, spreads back to the Colleges and Universities at which we recruit and helps us in future recruiting.

We offer New Professionals freedom in searching for the right first job at the Center. During their first year with us, each New Professional serves three or four tours of about three months each in several different technical areas. This allows the NP to "learn" the technical programs of the Center and to seek out an area that is of particular interest.

After the NP has settled into that "first" job, we offer early accession of responsibility in taking on challenging and significant work for the Center and the Navy. We provide good facilities, equipment, and other resources to do the job.

The second requirement for a motivated and productive workforce is a professional and challenging environment. In this environment the work is on the leading edge of technology, challenging, and meaningful. The people are motivated to continual self-development and self-renewal. There is a feeling of pride in the organization, its product and its contribution.

The third requirement is more than job satisfaction; it's self satisfaction—a feeling of pride in the job, the work, and the product. Recognition for good performance is a must, not just salary-though that helps-but other awards ranging from a pat on the back and an appreciative word to formal nationally recognized awards. Also important is the image of the job. For often in this country it is popular to malign the federal employee and too seldom do we recognize their contribution to our country. Finally, the work must be recognized.

We instill in our people a sense of accomplishment for the contributions they are making to the Navy and the nation's defense. If that's flag waving, then okay. I think we are ready for a little of that. One only had to watch the Olympics this summer, including the torch run across the country, and the two nominating conventions to get a renewed sense of pride in what we are about. I can certainly sense that keen interest and excitement among the people at the Naval Ocean Systems Center. We have a job to do and we want to get on with it. The Demonstration Project has allowed us to do just that, and without much of the paperwork and regulation that have constrained us in the past.

The Federal Government must be able to attract and maintain a dedicated, quality work force. Everyone gains when this is true - taxpayers, Industry, country. Everyone loses when it is not true. The demonstration project has helped attract, retain and effectively utilize these quality people at NOSC and NWC.

We are grateful to the Congress for allowing us to implement this Demonstration Project. I am confident that you will be satisfied, as we are, that this program will significantly increase the motivation and performance of the centers involved in it and that it will serve as a model for future legislation in the federal personnel management field.

Thank you. I will be pleased to answer your questions.

Senator **Bingaman**. Next let me go to Mr. Andrew Grove who is the president of Intel Corp. Mr. Grove, of course, is the author of a new book, "High Output Management," which I read myself with great interest. I think it has been well received. He is the president of Intel Corp. which is well known here in this country and worldwide in the microelectronics industry. It is an honor to have you here, Mr. Grove. If you would please take the stand and tell us about your experiences at Intel or any general ideas about what can be done to improve our management operation here in the Government.

TESTIMONY OF ANDREW S. GROVE, PRESIDENT, INTEL CORP., SANTA CLARA, CA

Mr. **Grove**. Senator, if you will give me a moment to set my gadgetry up.

Senator **Bingaman**. Sure, set up anything you want.

Mr. **Grove**. All those years I have been making presentations internally, I am simply unable to talk without the aid of a projector.

Senator **Bingaman**. You haven't been in the Defense Department, have you?

Mr. **Grove**. I think they learned it from Intel.

Senator **Bingaman**. I see.

Mr. **Grove**. First, thank you very much for having me up here. I was feeling very self-important until I got in the cab and told the cabdriver where I am going, and he said, "Don't worry, sonny, nothing you are going to say is going to make any difference."

Senator **Bingaman**. A lot of wisdom with these cabdrivers around town.

Mr. **Grove**. The only good news is nobody has called me sonny for a number of years.

By way of starting, I hope you don't mind if it is going to be a little extemporaneous. I will give you a thumbnail sketch of Intel as to why you invited me. Intel has been around for 16 years, and was founded to capitalize on the then evolving silicon technology and build state-of-the-art products with it. In that period of time, we have grown to operating at the current annualized base of $1.6 billion. We operate in 140 locations in 22 countries around the world. We have 26,000 employees. Last year's revenues place us 272 on the Fortune 500 list of companies, and the main achievements we have had were the pioneering of semielectronic memories and microprocessors which we invented which Newsweek labeled "telephone variety things," as 1 of the 10 or 12 greatest discoveries of the last period of time.

I think a major portion of our success has had to do with the development and inculcation throughout our management systems of a number of very strongly held beliefs which in turn translated to practices. Obviously, my point here is to try to convince whoever is willing to listen, cabdriver notwithstanding, that some of these concepts have a great deal of applicability in public sector management. Giving similar talks to school districts is not necessarily the popular acclaim, and I think some of the lack of popularity is the fact nothing I advocate is particularly easy.

Senator **Bingaman**. Is particularly what?

Mr. GROVE. Easy.

Senator BINGAMAN. Nothing is easy around here.

Mr. GROVE. That is probably true. This will not make it easier, but I am convinced by experience that all the things we are talking about are crucial for building effective organizations. First, one of our major beliefs is in the significance of middle managers. This goes a little bit contrary to the bulk of management writings and thinking today that is, simply stated, very heavily oriented to the person on the top. There is altogether too much written about corporate strategies emanating from the top.

A whole lot has been written about corporate culture as if it were really the shadow of the person on the top. I am convinced it is completely contrary to how real life works. The real life of an organization is determined by layers of management. Typically, there are six or seven layers between the top and bottom in a sizable organization. These managers are there for a long time. They have traditionally done as they have done before and will do tomorrow as they have done today. This is what limits the power of the organization. So our emphasis is to educate, train, and motivate our middle management, almost as a preoccupation.

The second point I would like to make, second tenet, if you wish, of our operating style is a major, major emphasis on output as opposed to activity. Again, we have a time management course that managers take. It is oriented toward what we do. Most people are very preoccupied with what they do during the course of their working days as opposed to the results that they are supposed to achieve. We have a very, very major preoccupation with results. We try to drum that in people's heads that it is the output of their activities that matters and not the activity itself. We are not interested in how hard they work; we are interested in what their work will produce. So this output orientation is a very major element of how we try to operate a company.

Very, very importantly, the next point, given that output is the criterion with which we judge our management, we have to judge ourselves that way. We then have to develop a very, very strong meritocracy in our organization. All our reward mechanisms—be they psychic rewards of praise, to the person getting financial benefits, that is, compensation, bonuses, equity participation and, most importantly, the reward of promotion—must be based on merit and merit alone. I would like to elaborate for a moment on it.

I think promotions are the most important single reward element because they are the most visible to an organization. What people don't know is the raises people get, but people do know who gets promoted and people also know, much better than we give them credit for, who performs in an organization and who doesn't. When the people you promote are the ones that are perceived as output-oriented, high performance individuals, that act alone will send the message of performance being king through the organization more than any amount of memos or even books can do.

So meritocracy, in all elements of management, is extremely important to us.

A major system we use to ensure that is a very, very strong systematic set of performance assessment practices. We view performance assessment much in the same way meritocracy works but also as a major management tool in that it is the single most important form in which we can deliver task-relevant feedback for employees, much the same as an athlete would not be an athlete if he did not have a stopwatch. If you take that feedback away, the athlete will stop competing. If you don't provide a feedback at the workplace, our work athletes will not compete also. Work performance is the single most important way we can do it.

We realized right from the outset that we were up against a cultural fear having to do with performance assessment which, whether real or not, is the basis for why so many organizations have based their reward mechanisms on seniority rather than on performance. It is a fear of prejudice, a fear of favoritism. To sidestep this, we have built a fair number of checks and balances into our system, naturally. Here are highlights of some of those. No single individual has the power to assess performance alone. A supervisor of an employee, obviously, is a critical factor in starting the process, but any action, any assessment requires his own supervisor's corroboration and approval. In addition to that, we have a very strong independent personnel organization who also participate in that. While they may not be particularly qualified to judge technical performance, they are able enough to judge systematic bias and prejudices. This is a highly controversial system inside our ranks; we have a ranking process in which the supervisor and his peers are required to rank in a comparative fashion all of their combined subordinates in the department. This more than anything else will inject honesty and fairness into the review system.

So I feel the most important elements that have led to, so far at least, the reasonable success in private enterprise, and which are applicable to organizations of all types, are stressing the significance of middle management, stressing output over activity in the work of management, and developing the belief of meritocracy, particularly aided by a very, very strong performance assessment system. This all has led to the cult of performance throughout the organization.

Thank you very much.

Senator BINGAMAN. Thank you very much. Let me ask a couple of questions.

With regard to applying some of these techniques to the public sector, the preoccupation with results which you talk about, are there—maybe you are not sufficiently plugged into the Federal bureaucracy to really know the answer to this—are there specific things that you could see that could be put into place Government-wide as policies or practices or something that would tend to bring about this preoccupation with results that you are talking about? Is it strictly a question of changing the forms of compensation and the forms of promotion so that they are not based on seniority, or are there other things that can also be done that would give this increased importance to performance?

Mr. GROVE. My familiarity is based on reading the newspapers which is not very much, but on the basis of that, I guess I am aware one of my favorite techniques has been tried in the Federal Government in the previous administration—not very successfully—which is the system of management by objectives. I am a strong believer in this practice. Essentially that practice determines in advance what output you are striving for and then puts in a systematic way of self-assessing whether you had achieved those targets, what your next targets should be if you did, and what you should do if you haven't. That in addition to the performance assessment systems are the two things I would very much advocate using bit by bit in the Federal Government or in any governmental organization.

I would strongly urge against passing resolutions or doctrines that all systems of 3 million employees will use management by objectives. Change organizations of a much smaller size. The testimony I heard preceding mine is a very good example, from what I can tell from the testimony, of how increment by increment, agency by agency this change can be made.

I would strongly urge, if I can add, I think controlling budgets by headcount freeze or by bodies is an absolutely wrong way to do it. You ought to control people's payroll budgets because it is going to lead to choices much more in the interest of your organization than if you control it by bodies. What the Government should be concerned with is how much payroll a given agency should spend, not how many heads it should have. Let the agency manager or department manager then figure out how to use the available payroll, what that means in terms of individual staffing level, but then give him the freedom to implement what comes out of it.

Senator BINGAMAN. So basically you are arguing that you need to grant additional authority to people in management positions, in government or anywhere, so that they can put into place this reward system that is the cult of performance, not only as far as pay goes, but more importantly as far as promotions?

Mr. GROVE. That's right. For that matter, I also believe you have to give them the real and perceived freedom to do what is necessary to keep their organization effective, and that includes the right to hire and the right to terminate, which I understand are not there and certainly not perceived to be there. Maybe more in reality than the perception of the middle management of governmental organization. Both the reality and the perception of that power need to be increased.

Senator BINGAMAN. Let me ask slightly more specifically, on judging performance so that you can reward people for performance, do you have a general criteria that you give to your middle managers or to supervisors for their use in making those assessments, or do you essentially leave it up to them to determine who is performing and who is not performing sort of unfettered?

Mr. GROVE. My answer to that would be to leave it up to them, but subject to the checks and balances I describe. When I say leave it up to them, it is never leave it to one individual. It is leaving it to that individual, his supervisor and the ranking group of supervisors as observed from the side by the human resources organization. Yes, there is no pre-set criteria. In fact, our personnel assessment forms are a blank sheet of paper. We don't have attitude, attendance—trying not to computerize this process, trying actually to go in the other direction and describe this person's achievement, describe this person's weaknesses and the singlemost important thing, what we expect out of the assessment, what should this person do to perform better in the next period of time and let the supervisor who has one level higher objective on his mind to figure out what performance means.

Senator BINGAMAN. Thank you very much. I appreciate your testimony very much.

[Mr. Grove's prepared statement follows:]

Andrew S. Grove
President
Intel Corporation
September 26, 1984

Based on my experiences in managing in the private sector, I have been asked to comment on my view of the applicability of some of industry's management practices to the workings of the United States Government.

By way of background, Intel Corporation, which I serve as president, is one of the key participants in the microelectronics industry. We founded the company sixteen years ago, and today we are a firm with annualized revenues in excess of $1.6 billion. The majority of our 26,000 worldwide employees work in the U.S. Intel is spending about 12% of its annual revenues on research and development, and about 20 to 25% on capital additions and improvements.

We earned our reputation for innovation in a highly competitive field by developing and introducing to the marketplace a steady succession of semiconductor memory chips and the microprocessor -- the latter listed by Newsweek recently as one of the "12 Milestones in American Technology," along with the airplane, the telephone, electric lights, and others.

In addition to our recognition for technological achievements, we have also been cited for our successful management practices. For instance, Dun's Review named Intel as one of the five best managed companies in the nation in 1980.

When we began the company, we realized that many of the traditional ways of managing a business would not work for us, because our field was new and changing very rapidly. Through trial and error, we developed our own management style, some key elements of which I think can specifically be applied to the management of governmental organizations.

First, one of our key tenets in our approach has been a very strong belief in the significance and importance of middle management in the activities of the corporation. We feel that middle managers, the layers of management that make up any organization, are its "muscle and bone." While the conventional view puts an enormous amount of emphasis on top management's strategies and role, we feel that all of that is meaningless without a strong, dedicated group of middle managers who understand what the business of the corporation is about and who provide the needed initiative to make it move forward. We expend a lot of our corporate energy on training our middle management employees in the work of management. We have a very active in-house training program dedicated toward this purpose.

Another key element in the way our corporation works is a strong orientation in the work of all of our employees -- our managers, our engineers, our production and administrative personnel -- toward output. Output is defined as the desired result of the work of our people, as contrasted to the activities they must perform in order to achieve it. We try to value, reward, and recognize people for the results of their work, not for their ability to keep themselves busy in the course of a day. To illustrate, we try to judge our salesmen based on the orders they receive, not on sales calls they make. Similarly, we judge our engineers on the improvements they produce in the performance of the products on which they work, not on the number of reports they submit; our managers on the performance of their organizations, not on their conformance to some kind of a code of conduct.

This output orientation in our outlook is mirrored by a system of rewards that tends to go hand-in-hand with it. We view ourselves as a meritocracy. We compensate, and even more importantly, we promote totally on the basis of merit. Our compensation scheme involves a number of elements. It involves performance-based bonuses that are higher or lower based on the performance of the team that the employee belongs to, like a factory or a business unit. It involves the opportunity to participate in equity ownership in the company through our granting of stock options, which are offered to the majority of our professional employees -- thousands of them. And, of course, it involves salary administration, which again is based totally on merit. But nowhere is performance orientation -- based on output again, not on formalities, not on conduct -- more entrenched than in our promotional practices. We feel that the act of promotion is important not only from the standpoint of what it does for the individual, but also for the symbolic meaning that is sent through the organization at large. Promotion is the most visible of our various reward mechanisms, and it says a lot more about our corporate values than any amount of memos and treatises can. If performance courts, we must promote our top performers.

Inherent in all of this is a very extensive, thorough and straight-forward system of performance assessment. For our professional employees, particularly, this is an annual process and a very critical one. It culminates in the development of a formal, written performance review, generally done in an essay form, which along with a performance rating forms the basis of all merit-based rewards we distribute at such times. We are very serious about this practice, not only from the standpoint of basing monetary rewards on it, but also because it is our belief that such a performance assessment provides the most important type of task-relevant feedback to our employees. Simply stated, in a formal and documented fashion they are told how they have done in accomplishing the purpose of their jobs, and how they can improve their performance in the future.

The most common and loudest argument against such a system is the possibility of favoritism inherent in it. To guard against it, we introduced a number of checks and balances into our system. For instance, at least three individuals are involved in the assessment of an employee's performance: that person's supervisor, the supervisor's supervisor, and a representative from the personnel organization. Additionally, supervisors of like groups meet as peers to assess on a comparative basis the performance of all of their subordinates. This helps to assure consistency in the criteria used by each of the supervisors in determining the performance of their subordinates, and also to assure the absence of any obvious bias. Such checks and balances go a long way to eliminate favoritism and prejudices, which are the single biggest argument used to condone seniority-based review systems.

We live and work in a competitive world society. Our corporations are judged by the marketplace totally on the basis of the merit of their performance -- not on their style, not on their seniority. The only way we can excel is if we transmit the same set of feelings, same set of values, same basis in measurement, to the employees who make up our corporations. We must create and maintain a "cult of performance."

We believe the practices I have discussed today played a major part in Intel's success, and I would urge the adaptation and integration of these principles into the management of United States Government. In summary, those principles are: the understanding of the significance of middle management; the importance of stressing output over work activity; compensating employees based on performance; and establishing the necessary system of performance assessment to ensure that performance is fairly and consistently judged.

Senator **Bingaman**. Our next witness is Dr. William Ouchi, who is the author of several books, "Theory Z" and "The M-Form Society." He is a member of the President's Commission on Industrial Competitiveness and professor at the UCLA Graduate School of Management. Professor Ouchi is going to speak on his theories and their application to the public sector.

We welcome you here, Doctor, and appreciate your coming today.

TESTIMONY OF WILLIAM G. OUCHI, GRADUATE SCHOOL OF MANAGEMENT, UNIVERSITY OF CALIFORNIA, LOS ANGELES, CA

Mr. **Ouchi**. Thank you, Senator.

If I can, I would like to point out rather than being a member of the President's Commission on Industrial Competitiveness, I am in the more modest role of a helper or adviser to that group. I would like also to mention that I am cochairman of a newly formed group, the Association of U.S. Senate-State Productivity Board Members and serve as Chair of the Senate Productivity Board of Senator Alan Cranston and as a founding member of the Washington Coordinating Council on Productivity. I am aware it was Senator Stevens who initiated the Senate Productivity Board awards and I hope that they will be as useful as the rest of us think they may be.

Senator **Bingaman**. I am planning to give one of those in my home State of New Mexico in about 2 weeks. I hope it is useful to us.

Mr. **Ouchi**. We would like to know how your group arrived at its decision, because we have yet to sort out our process.

Senator **Bingaman**. If I figure it out, I will tell you.

Mr. **Ouchi**. Thank you.

During the 1960's, the many graduate schools of business changed their names to graduate schools of management. That was true of our school at UCLA, at the University of New Mexico, at Northwestern, and it is true at the new School of Organization and Management at Yale University. In each case, we took this step because we felt that a good deal of what we had learned about management was appropriate not just to the private sector but to Government and to the not-for-profit sector as well. We had the intention of opening our arms, if you will, intellectually and embracing those from the public sector and no one came to our party.

Just why that is so, I am not sure. I know that there has been, particularly within the Department of Defense, a serious and sustained interest in issues of management. I think that has been less evident in the nondefense sector of government at the municipal, State, and at Federal levels. That is not entirely surprising because management is a new phenomenon in government.

In the year 1840 before the railroads had been completed in this country, there were literally no middle managers in America. There were only small shops, small factories in which the entrepreneur directly supervised his or her workers. By 1890 after the railroads had been completed, big business had begun to develop because mass production and distribution was possible, but the United States is unique among industrial nations of the world in that it is only in the United States that the rise of big business preceded the rise of big government. In consequence, by 1900, there were several railroad companies and steel companies, each of which had more employees than the Federal Government had.

Through the succeeding 60 years or so, the managers of large U.S. firms devoted a large fraction of their time to understanding how to manage, and it is only recently that the issue has become important in Government. The importance that managements in the private sector attach to the activity of managing, I emphasize by adding one observation that Dr. Grove, being a modest person, did not add to his testimony. That is the fact he personally, as president of Intel, devotes a large fraction of his time speaking to brand new employees at the bottom levels of the company in order to demonstrate to them and to all the other managers of the firm how seriously he takes that activity.

This year happens to be the 25th anniversary of the Gordon Howell report, a report which revolutionized management education in this country. During the last 25 years, there have been several very important results from the research that has taken place in the schools of management and of public administration. A few of those have had great impact in the private sector. I think it would be correct to say that very few of them have found their way into management in Government. Just to touch on a couple, I would mention the work in small group effectiveness, which is known now as participative management and has become popular as the quality circle movement. I would mention a less known but powerful line of research which investigates the formal structure of large organizations, which has had great impact, in particular in large and complex businesses such as the aerospace industry, which has made widespread use of the research that has been developed in these schools.

Much of that is equally applicable to the public sector but has yet to find its way there. More recently a line of research that has become known popularly as the organization of corporate cultures, which has as its base some important principles of organization although it has been popularized in a way that might not make that evident, again has very important consequences in the public as well as private sectors.

If I were to point to just a couple of principal action areas, I would mention two. The first is what we observe in the firm is the underlying engine of motivation which causes everyone to be concerned about management—the fact that they must respond to the needs of a customer who can vote with his or her feet by going to a different supplier if they are not happy. It is often said that that is an important discipline, that discipline of the marketplace, which is not available to those in Government, but I disagree.

We have in place in this country, a large array of associations, of civic groups, of consumer groups, of labor unions, each of which has the capacity, if it were invited to do so, to scrutinize on a regular basis the activities of those executive agencies in which they have the most direct interest. It is also possible to arrange a process by which their messages are conveyed perhaps through the structure of Federal advisory committees, which is now in place, to those agency staffs and thereby bring, if you will, the customer closer to the deliverer of services in the Federal Government.

I would add that if we draw lessons from the private sector, one is that it is necessarily the case that as every organization develops, it becomes more and more specialized internally and has to cope with the problem of how to reintegrate the subpieces. In business, that problem is the subject of continual reorganization, continual building.

I believe there are many opportunities in Government to achieve more effective interagency coordination, more effective intergovernmental organization, to achieve far more effective dialog between public and private sectors.

I do not suggest that the great cosmic issues can effectively be addressed through conversation between public and private sectors. Those are best left to the Congress, the President and the courts, but I would like to suggest there is a large range of important, although not cosmic, issues which today produce a good deal of the conflict between Government agencies and the many publics which they serve but which could be resolved directly more effectively.

Second, I would like to say that there seems to be an attitude in Washington to the effect that while research in areas such as engineering, physics, and chemistry is important, research on organization and management is not. There was a very close call earlier this week in which the Congress very nearly removed from the Federal budget every last nickel allocated for organizational and managerial research. That money, as far as I know right now, amounts to a total of only about $2 million per year. In the past, the National Science Foundation was active in supporting research into organization and management. That support has all but disappeared today. The only consistent supporter of organizational and managerial basic research in our Government has been the Office of Naval Research which has a total allocation of some $2 million per year for that purpose.

Now, I say to you that I believe that space telescopes are important, that linear accelerators are important, but one of the reasons we got behind the eight ball in the 1970's, vis-a-vis our foreign competitors, was that we paid little attention to management while they were paying a lot of attention to that problem.

A couple of examples—I don't know if they actually make sense—I think it might be sensible for there to be interagency loans so that professional career civil servants in agencies which frequently deal with one another, for example, the Treasury and Commerce Departments, ought regularly to send people on loan for periods of 2 years or so to one another in order to build up a network of possibilities of conversation and of collaboration. I think clearly the effort that our finest companies, companies such as Intel, IBM, Hewlett-Packard, devote to management education and training carries a clear message for Government. There ought to be a far more complete development within, perhaps, OPM or elsewhere, if that is appropriate, of in-house training programs with some kind of a pattern, some kind of an intention that that provides development throughout the career of a professional civil servant, and I think there also ought to be the possibility of those who served in Government to find the funds by which to attend the university-based management training programs, of which there is a very large variety, there being today some 600 schools, university-based, which provide management training.

Thank you very much.

Senator BINGAMAN. Thank you very much. I think you have some very interesting ideas. Let me explore them a little bit more.

You talk about the possibility of additional scrutiny of government by some of those who you refer to as customers—business community and others. Maybe you can elaborate on that a little bit. You see this as occurring at all levels of government and not only the business sector of society, but other sectors as well that are regulated by particular areas of government?

Mr. OUCHI. Let me give you, if I may, one small example. The city of Minneapolis and its twin, St. Paul, have been remarkably successful at rejuvenating the downtown area. They built a pedestrian skyway system which keeps people above the traffic and away from the cold and has been very important in revitalizing their downtown area. That is a very complex undertaking which involves a good deal of leadership from government of the two cities and a State as well as a country.

That came about in part because the zoning and planning commissions, the mayor's office, and so on, worked in close collaboration with a network of private associations representing labor groups, civic groups, all of whom were able to confront those in government, in the executive agencies, face to face to keep the pressure on for performance and to provide for the possibility of dialog.

Within the Federal Government, there are today some 884 Federal advisory committees which fall under the Federal Advisory Committee Act. They encompass some 18,000 citizens who are there for the purpose of advising the agencies of our Federal Government, whose purpose could very well in addition include that of review of the performance of those agencies, but typically does not include that within their charter today.

I see no other readily available means by which we can move the customer, if you will, sufficiently close to the provider of Government service to make a difference.

Senator BINGAMAN. That is an interesting concept, those 884 Federal advisory committees you are referring to. I gather some of those are provided by statute, others are set up by the executive on their own initiative?

Mr. OUCHI. That's correct.

Senator BINGAMAN. Let me also ask about the suggestion that perhaps Government employees funding should be provided for Government employees in order to take advantage of management training provided through universities today. To your knowledge, is this kind of funding presently available, or is it strictly on a case-by-case basis? Do you know of anything going on in that area today?

Mr. OUCHI. I do know that every now and then, two or three people will show up at a university-based continuing management education program. They have had the wit and resourcefulness to find the money somewhere, but it typically hasn't been easy. The few university-based programs which were started during the 1960's, which were targeted primarily at Federal officials, folded up because there simply were not the resources with which those people could readily come to the programs.

Senator BINGAMAN. As I understand it, the Kennedy School does have a program for senior managers in Government still in existence, which I gather takes 100 or a few more each year. There is also a program for State and local people at the Kennedy School. I don't know the extent to which other universities are engaged in that.

Mr. OUCHI. There are a few pockets in which there have been traditional relationships and there has been a sufficient collaboration built up between those in the university and those in the agency or the Congress and there is budget provided; but in general, a manager in Federal service who wishes to attend a program is going to have a real job figuring out how to get there.

Senator BINGAMAN. I am told there is a lot of developmental training going on in Government at this time. I don't know if it is training of the type that you are talking about, to improve managerial abilities, or if it is to improve the training. Maybe you can give me your thoughts on developmental training going on in Government——

Mr. OUCHI. I am sorry, I am not familiar with the training except in the Navy, otherwise I am not familiar with it.

Senator BINGAMAN. On this interagency loan suggestion, some people have suggested to me that there is a great reservoir of managerial talent among retired executives from the private sector and there ought to be some way that the pool of managerial abilities could be brought to bear on Government in an advisory capacity, volunteer capacity, or something. Is that a suggestion you think would merit more exploration and consideration?

Mr. OUCHI. It is very much. I point out that the system of citizen advisory councils having to do with business in Japan, for example, can be represented through the 38 advisory councils attached to the Ministry of International Trade and Industry, or MITI. The typical of those councils will have about 40 members. The top one, the Industry Structure Council, has 82. Roughly half of all the members of these advisory councils are the recently retired and greatly respected distinguished leaders of business, of labor, of civic groups, and of a broad representation of the public.

These are people who have access to information, who are well regarded, widely known, but who are at an age that they are no longer in the grip of ambition, as they were once, and are at an age at which some would observe it gets a little bit easier to tell the truth. They, therefore, possess some unique assets which make them particularly well suited to that task. I think my estimate of the members, for example, of our Federal advisory committee, some 1 percent, perhaps, are the retired leaders of our private sector.

Senator BINGAMAN. Let me ask a question on the 38 advisory groups that you just referred to and you refer to in your book, "The M-Form Society." Do they have the function you would recommend for the 884 advisory committees, and do they in fact review the performance of the federal agencies that they advise as well?

Mr. OUCHI. They do not directly, but what happens in Japan is each of those many advisory councils and their counterparts exist and the other ministries having to do with labor, having to do with financial affairs, and so on, in each case, many of which—I would say perhaps 50 percent or perhaps more of the members—are also there explicitly to represent an interest group, a major industry trade association, a major labor federation or some other body much larger than their one company or their one union.

What happens is the pressure for good performance from the executive agencies comes through those other private associations, but the information comes largely from those who serve on the advisory committees. So the committee does not directly, if you will, put itself in the role of attempting to assess the performance while it is simultaneously attempting to advise government, but there is consistent, constant, well-informed demand for high performance coming from those other organized groups.

Senator BINGAMAN. Thank you very much. We appreciate your testimony.

While all those bells are going on, let's take about a 5-minute break.

[A brief recess was taken.]

Senator BINGAMAN. Why don't we start again.

Our next witness today is Bradley Patterson who is president of the American Society for Public Administration. This is a nationwide public society of career public administrators at both the Federal, State, and local levels.

Mr. Patterson, it is a pleasure to have you here and we look forward to hearing your testimony.

TESTIMONY OF BRADLEY H. PATTERSON, JR., PRESIDENT, AMERICAN SOCIETY FOR PUBLIC ADMINISTRATION

Mr. PATTERSON. Thank you, Senator. It is a pleasure and an honor to testify before the subcommittee. I appreciate the invitation.

I am testifying today as president of the American Society for Public Administration, which is a 17,000-member professional society of people in government, those who teach government and students also.

I cannot divorce what I am saying in my testimony from 32 years in Government as a Federal executive in several agencies of Government and 8 years at Brookings. Of course, my remarks are also as president of ASPA—the two are intertwined. I thought if you didn't mind, I would bring a philosophical slant.

I want to make five points, Senator, about improvement of management in the executive branch. The first point is about morale. Public administrators, like Senators, are men and women who live by noneconomic rewards—the rewards of the mind and the spirit. We public administrators believe we are engaged in one of the most exciting enterprises in human existence, that is, making a free society run successfully: the largest and most successful free society in the history of the world where freedom, prosperity, and peace are being preserved reasonably well. That is the most exciting kind of enterprise.

We are immensely proud of that profession and of being engaged in that kind of enterprise. We have to work every day to make history come out right, there is nothing automatic about it. We are proud, indeed, of our profession and participation in it.

This pride, however, does not blind us at all to the necessity, every 4 years, to have a basic reexamination of the policies and laws of our country. That obviously is taking place this fall—every 2 years also, of course, on the Hill.

This reexamination is intensive and vociferous and the public debate which goes with it is very searching. But this vociferous debate that goes on occurs in front of a public very ambiguous about management in the executive branch. A public on the one hand which says, "The executive branch should do less," "You are doing too much; you are on our backs," and, on the other hand, the public is saying, "You should do more, help here, have a closer social safety net," and so forth.

What happens, we feel, in these times of debate, especially in 1984, is that both sides of the dilemma are bent around like a double-tined fork and we find ourselves impaled on a two-pronged spear before, as I say, an ambiguous public of some who say, "We want more out of Government," and others who say, "We want less." The trouble is we find this two-pronged spear sticking out our rear ends in the electoral debate and we public servants tend to be suffering from that ambiguity and from the spear.

We find ourselves in the middle. Senator, members of the subcommittee: We believe that we public administrators get somewhat of a bum rap. This year as president of ASPA—and ASPA is a member of the Public Employees Roundtable which is a coalition of 21 major organizations of professionals—we have tried to do one thing which will try to shut off the machines which dispense all this fog. We and 11 distinguished Americans, many of them Cabinet members themselves, Cyrus Vance, Dean Rusk and others, proposed 11 planks for insertion in the Republican and Democratic platforms, planks which would speak up in defense of the public service, pledge respect for the public servants and pledge cooperation. We testified before the Democratic Platform Committee, Dr. Fleming and I. Tab 1 of the attachments under my testimony has the copies of our letter. I also testified before the Republican Platform Committee in Dallas.[1] As a result of our efforts, some modest insertions were made in both platforms which in effect speak up for the public service.

Senator, we do believe that the debate about the laws and the policies and programs of our country should be couched in those terms and not in terms of deprecatory remarks about the people in public service. That is a very cheap way to run a political debate, and we are trying our very best to elevate that debate and to ask candidates to do so. Morale in the public service is a part of good management and, we believe, one of the first parts of good management. We respectfully recommend that this subcommittee consider issuing a bipartisan statement of support for these 11 planks as we originally had proposed them. I would hope the committee might give some consideration possibly before Congress adjourns and before the elections begin so that we might have a statement of support for those 11 points. They are under tab 1.

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[1] See p. 189.

The second point that I would like to mention to you is this: As we public administrators look around our world and everybody's world here in America, we see a country which is driven by many, many disagreements about public policies. On domestic or foreign policy issues from Baby Doe to nuclear weapons, there is throughout our country a vast lack of consensus about where our country should be going. A healthy lack I guess, although it has some very, very vitriolic aspects to it, of which I am sure everybody like yourself in public life is aware. This lack of consensus has divided the public.

My concern as a public administrator, and now as president of ASPA, is that within the precincts of the executives we find echoes of that same lack of consensus. As we all are aware, I am sorry to report to you, there is a phenomenon in public administration called "iron triangles" where people in the executive branch itself take sides and tend, I think, to lose their obligation for professional neutralism and tend to be themselves unbalanced advocates and protagonists in these debates on public policy. These debates must of course go on, and you and Presidential candidates and others must be the forefront protagonists. But I think the career professionals within the executive branch should not take sides in that debate in a public way.

The iron-triangle concept implies two sides of the triangle but we need not be the hypotenuse. What we in public service do best is cool professional analysis, intellectual examination of the options of public policy, helping political executives make these decisions, which are tough decisions—the budget being a good example—but not ourselves abandoning professional neutrality and professional objectiveness and jumping into the fray, so to speak, and yet pretending we are public servants.

My second bit of advice is not to the committee but to our own selves in public service: to ease up and to do what we do best, to quote a famous airline, to concentrate on intellectual analysis and on our contribution to public service in that way, more coolness and a dispensing with ex parte advocacy ourselves.

The third point I want to raise with you as a matter of good management in the executive branch is a somewhat delicate question. However, I had some experience with it in 14 years on the White House staff where I served under three Presidents. I want to talk about the problem of noncareer executives in the executive branch of the United States.

As you know, Senator, a major part of Presidential prerogatives—and I am a strong defender of Presidential prerogative from my experience in the White House—is the ability and privilege of a President to put into his executive branch men and women who are of compatible ideas to help his executive branch move toward the objectives the country has established. These men and women are the patronage contingent, the noncareer executives of our executive branch. They rank all the way from Cabinet officers to receptionists, chauffeurs, secretaries. My last job in the Ford White House, where I worked in the Presidential Personnel Office, was to do a count, a precise count of the number of noncareer executives in the executive branch at that time, the fall of 1976. The chart under tab 3 of my remarks, is the result of that enterprise.[1] It shows there were 3,031 noncareer executives full time in the executive branch in the fall of 1976.

Senator, as everybody here knows, particularly yourself and any sophisticated observer of the American public administration scene, the advent of new noncareer executives in the executive branch is, on the one hand, the infusion of new blood, new ideas, new energies, quite appropriate for a President and his new administration. On the other hand, at the same time it is the occasion often for discontinuity, disruption, obviously, of the programs and policies that are going on, often a change of those policies and often it is a time for a good deal of friction and bumpy relationships with the career executives who are there.

Sometimes these relationships smooth out very rapidly. OMB is particularly famous, I think, for its dedication and professionalism and the quick establishment of smooth relationships and respect back and forth between the career and noncareer executives. EPA, I would submit, a couple of years ago, would be an example of the saddest kind of relationships, the most bumpy kind of relationships and in the end, actually tragic for the President as well as for the people at EPA and the programs of that agency.

So there is a discontinuity and a time of friction when noncareer executives come in. Many observers and students of public administration, particularly Hugh Heclo in his fine book and the National Academy of Public Administration—of which I am a member and you are going to hear from my distinguished colleague, Mr. Walter—have pointed out that many of the noncareer executives who come with a new administration do not come and spend the 4 years of his term with him. Indeed, they spend only 18 to 24 months. One statistic: 54 percent of the Assistant Secretaries from 1950 to 1972 spent less than 24 months on the job. Then, of course, in each case a new official comes in. The discontinuity tends to be very disruptive. We career public administrators, speaking for the group of us, we consider ourselves helpers and partners to noncareer executives. We often have to explain pitfalls, explain the unusual environment of Federal decisionmaking, the requirements of courts and of the Congress, the requirement of ethics laws and other problems noncareer administrators face. We are often charged with being "footdraggers" as if we were opponents of what they are trying to do. Nothing can be further from the truth in almost all cases, but we do need some kind of more sophisticated relationship building.

Senator, I have reluctantly come to the conclusion that there may be too many noncareer executives in the Federal executive branch. I do not have the figures as of today. I would invite and recommend that the subcommittee take a look at that chart under tab 3 and maybe try to bring it up to date by such resources it has available to itself. My suspicion is the level might now be close to 5,000 and my suspicion, in the thesis I put to you this morning, is that that may be just plain too many. So many that they even outweigh the benefits to the President of having fresh minds come into the executive branch. The disincentives and disadvantages of having the friction and the changes and discontinuities, I think, outweigh the advantages of bringing in new blood, but I do not know the numbers as of 1984 and I recommend the subcommittee take a look at this.

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[1] See p. 222.

The fourth point I want to make to the subcommittee is this: It is most important for the noncareer executives to have the opportunity for orientation and training programs as they come into the executive branch. Dr. Ouchi mentioned the importance of having career executives have management training, whether at universities or in other forums in which management training is provided. Quite a bit of management training for careerists goes on in the executive branch. Political executives deserve no less; they deserve help and assistance in adjusting themselves to the very unusual environment of Federal decisionmaking.

I am pleased to report to you that there is now in the White House, and there has been in the past, a program of orientation of noncareer executives. When I was Deputy Cabinet Secretary for Eisenhower, we planted the seed of that kind of program. President Ford should have the credit of beginning a systematic orientation program for Federal noncareer executives. For instance, here is a picture of a class of 55 of them in the White House theater. I was one of the moderators of this program, and then, after the 2½ days of orientation at the White House, here is a picture of a cocktail party with the President in the Jacqueline Kennedy Garden. That is important for the noncareer executives: to have a sense of Presidential concern for them and also a very candid, helpful discussion of the problems they would face.

The Chairman of the Civil Service Commission would talk to them about relating to the civil service. John Rhodes would talk to them about working with Congress, Ron Nessen on working with the press: that kind of discussion back and forth. A very valuable 3 days. This program lapsed under President Carter. It has been resumed in a somewhat different form under President Reagan. The American Society for Public Administration and National Academy for Public Administration will try to do everything they can to make sure that this activity of the White House continues on under future Presidents. It is a very helpful thing for good management in the executive branch.

My fifth and last point is a tender subject also, Senator. I want to touch on the difficult problem in public administration in any large institution, particularly in the Federal executive branch: the problem of dissent, of the presentation of alternative views. We have in the executive branch, as you know, inspectors general, hot lines, the Merit Systems Protection Board. We have many different channels and mechanisms in institutions for handling allegations of fraud, waste, abuse, and illegalities. I want to go beyond that and talk about policy dissent, nothing to do with fraud, waste, abuse, but about the dissenter who disagrees on policy grounds.

In every level of Government this is a problem. I discovered to my surprise, and pleasure, that one of the most fast-moving and disciplined agencies in our executive branch has a very sophisticated way of dealing with this question and that is the Department of State. Of all places, you might think the Department of State could hardly tolerate much dissent going on, but they have what is known as the "dissent channel." This is an instruction to their officers abroad, as well as at home, to present their conflicting and alternative views by invoking the dissent channel. Such views come right into the Office of the Secretary of State. They are made known to the Secretary and some of the top officers there. Acknowledgement is given, then the debate goes on in the top levels of State as to whether these views have merit and the dissenter is given a final answer.

One hundred twenty-five such messages have been filed in this system. Under tab 4 under my remarks I gave additional material about this.[1] I am pleased to tell you that another agency, the Nuclear Regulatory Commission, also has a process called "differing professional opinions," and 21 of those have been filed since the system was established a few years ago. Some of these have concerned very important technical and safety questions.

Many heads of agencies are very nervous about the problem of dissent. As you know, the inept handling of dissent is one of the causes of poor morale. What will the dissenter do? Leak, resign, or bottle up his dissent? It seems to me that a creative and sophisticated way of good management is to respect policy dissent and make use of it. The Department of State officers with whom I talked about the subject told me the dissent channel in the Department of State has "enriched the policy process of the Department."

That concludes my testimony, Senator. I want to thank you again for permitting me to present this statement. A full text of my formal remarks is here and some of my detailed material is under tabs 1 through 4. I hope you don't mind a philosophical slant on some of these issues but I bring it to you, as I say, not only as president of the American Society for Public Administration but as a Federal career executive for 32 years.

Senator BINGAMAN. We appreciate your testimony.

Let me ask a couple of questions. You described the orientation training for noncareer executives, which I agree is certainly a good step. In your view, how adequate are the management training opportunities or how adequate are the management training opportunities made available to career executives in the Federal Government?

Mr. PATTERSON. To supplement Dr. Ouchi's remarks, there is a considerable amount of public policy education and management training available to Federal executives, probably not enough, but more maybe than most of the public realize. One set of these opportunities is provided by the Office of Personnel Management in the so-called Executive Seminar Centers. One is in Colorado, as you probably know; one is in Great Neck, NY, one in Oak Ridge, TN. They also have the Federal Executive Institute in Charlottesville, VA. Another set of these opportunities of public policy education for Federal career executives is provided—I will put on my every day working hat at the Brookings Institution—by Brookings. Typically we will take a group of 45 Federal executives down to Williamsburg for 2 weeks and talk together about public policy issues, with the help often of Members of the Senate or Congress. We also take senior Federal executives to the headquarters of business companies. We go out to San Francisco, Boston, New York, for a week, sit down 3 hours at a time, twice a day, all morning or afternoon with the CEO's and leading officers of business companies. In San Francisco, I remember taking a group to a Hewlett-Packard meeting with John Young, to the Bank of America with Mr. Clausen. So, a great deal is going on in the executive branch. Probably not enough, but Brookings has been doing this for 25 years. I am a graduate of the National War College: that is a year-long program under which military and national security community people spend a lengthy sabbatical widening their opportunities in public policy education. There are several war colleges: Carlisle and Maxwell. The State Department has the Foreign Service Institute. There is quite a list of such seminars which your staff, I am sure, could dig up. It is an impressive set of opportunities.

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[1] See p. 227.

Senator BINGAMAN. Also on the suggestion Dr. Ouchi had about the Federal advisory committees performing a review function with regard to the agency they are advising. I would be interested in your thoughts on this.

Mr. PATTERSON. The history and use of Federal advisory commissions is a very distinguished one and goes back quite a long ways. Just a footnote of history: Our Brookings Institution began because a Federal advisory commission called the Taft Commission on the Efficiency and the Economy was appointed in 1911; had distinguished people on it; made recommendations at the time. They fell absolutely on deaf ears. Mr. Brookings was a consultant of the Taft Commission, said such good work cannot linger on the bookshelves and the Brookings Institution was formed as a result of determination by him and others to set up an institution which would review options for Government reform, and we opened our doors in 1916.

There is a long history of Federal advisory commissions. There are many at the citizen level; I guess one of the most impressive is the Grace Commission, most recently.

Senator, I think we all recognize something about advisory commissions: Yes, they do evaluate agencies; yes, they do say a lot about performance; yes, they say a great deal about the policies of agencies they look at. But we recognize and remember: Almost everything they say becomes a part of the tremendous controversy in the country. The Grace Commission will say, "This policy ought to be changed" but as you know, that very policy may be in statute not just a matter of management. Advisory commissions are a very important part of the Federal scene, are an important way through which citizens, business executives, others throughout our Nation give their views about Government. But then their views have to be taken up by the executive and by the Congress and themselves given rather careful analysis, because they can't simply be written into the law or written into the operations of Government without that determination.

Senator **Bingaman**. Thank you very much. We very much appreciate your taking the time and preparing your testimony.

Mr. **Patterson**. Thank you, sir.

[Mr. Patterson's prepared statement, with attachments, follows:]

September 26, 1984

STATEMENT OF
BRADLEY H. PATTERSON, JR.
PRESIDENT OF THE AMERICAN SOCIETY FOR PUBLIC ADMINISTRATION
BEFORE THE
SUBCOMMITTEE ON CIVIL SERVICE, POST OFFICE AND GENERAL SERVICES
OF THE
SENATE COMMITTEE ON GOVERNMENTAL AFFAIRS
ON
IMPROVING THE MANAGEMENT OF THE FEDERAL GOVERNMENT

A.S.P.A. is a 17,000-member nationwide professional society of career public administrators at federal, state and local levels, and of professors and students of public administration. It has been active for 45 years.

I am pleased, on behalf of ASPA, to testify this morning about management improvement in the Executive Branch. My own biography is attached for your information immediately following this statement.

There are five aspects of management improvement which I respectfully wish to bring to your attention. I shall be brief about each and have appended more detailed illustrative materials under the tabs which follow.

FIRST: THE MOTIVATIONS FOR PUBLIC SERVICE

Like Senators, public administrators find the deepest satisfactions of their work in non-economic rewards. With you, we are in the exciting business of helping a very large and very plural society stay peaceful, prosperous and free -- the largest such society in human existence which is succeeding reasonably well in all three of these objectives. What a fascinating but what a demanding enterprise! Handmaidens of history are we, but struggling every hour to make that history come out right.

Like you here in the Capitol, we public administrators in the Executive Branch are proud -- in a trembling sort of way -- to be part of this cacophonous but still forward-moving procession of human governance.

We take pride, as you do, in the 200-year-old tradition that our American government is the partner of our people: providing for the common defense, trying to guarantee the civil rights of all, setting needed rules for the marketplace, holding up some kind of social safety net, and underwriting the growth of business and commerce. Over those two centuries, we have all made some grievous mistakes in these tasks; we have come very late to some of them, and there is more to do. But as the vitality of our society shows, we have together succeeded far oftener than we have screwed up, and we do our daily work in the matrices of our government with humility, with optimism and with professional dedication.

The pride we public administrators have, however, does not blind us for a moment to the need for national debate about the policies of our country -- about laws which should or should not be changed, and about the implementation of those laws. Especially in an election year, we know this debate must be searching, intensive and in fact vociferous.

These public policy arguments take place, however, before a citizenry which has always been of two minds about executive branch management. On the one hand, Americans demand governmental services, in fact urge more of them. On the other hand, Americans are apprehensive about any threatening accumulations of governmental power. For every efficiently computerized FBI lab there is the memory of COINTELPRO; for every distasteful regulation from the Clean Water Act there is the reminder of kepone in the James River; every military initiative in Grenada or Lebanon or Central America renews deep-seated apprehensions about the war powers of the President. For every top secret stamp there is a Freedom of Information lawsuit; for every defense budget cut that is suggested there is a local base that can't be closed; for every wasteful anti-poverty program that is shut down, there is an Indian reservation of stark destitution.

The debate about "more government" vs "less government" rages before a very ambiguous public.

What has dismayed and angered us career professionals since at least 1976 is that both ends of this ambiguity are bent around and aimed at us, and we are impaled on a forked spear. From the left: "You do too little!" From the right: "You do too much!"

For at least 8 years now, office-holders and would-be office holders, with these forked spears in hand, have thus couched their arguments about public policy in terms of the debasement of public servants. "Pointy-headed bureaucrats" rasped George Wallace; "the steady drone of the bureaucracy" said Jimmy Carter's budget director; "those Washington insiders" sneered Gary Hart, and President Reagan still rails against "the bureaucratic monster" and "the puzzle palaces along the Potomac."

I submit: that is a cheap way to conduct public policy debate -- beneath the dignity of anyone who is or aspires to be President.

Our skins are thick enough to sluice off some of that political acid rain, but we who are motivated by non-economic rewards, are, down deep, dismayed and disheartened at such a corrosive fog of ignorance mixed with malice.

This year the Public Employees Roundtable, of which ASPA is a member, has tried to do something about shutting down the fogging machines. We drafted an 11-point set of pledges expressing respect for the public service for insertion in both the Democratic and Republican Platforms. A group of 11 distinguished Americans -- most of them former Cabinet officers -- sent these 11 pledges to both Platform Committees. We testified in person before the Platform Committees. Chairman Stevens, of this Subcommittee, has written me of his support for them. As a result of these efforts, some favorable mention about public employees was included in both Platforms -- a first in history I think. In neither case of course was the insertion very close to what we had recommended.

Members of the Subcommittee: the Roundtable's eleven original proposed Platform planks (and my brief testimony at Dallas) are attached here as Tab 1. I respectfully urge the Senate Committee on Governmental Affairs, before the Congress adjourns for the elections, to issue a bipartisan statement endorsing those 11 points -- as guides to both parties in the present campaign and in the post-campaign months.

Good management begins with good morale, and on that score, you can help us this very week.

SECOND: A COOLING PRINCIPLE OF PUBLIC ADMINISTRATION BEHAVIOUR

A closer look at that fork of citizen ambiguity on which we public administrators tend to be impaled reveals that the fork has not just two tines, but many. Right along with you in the Senate, we public administrators now live and work in an era of raucous, even furious pluralism. Mention an area of public policy, from Baby Doe to nuclear weapons, and there are not two prongs, but a whole picket fence of options -- each with its passionate advocates.

The deficit problem -- and the question of who will pay to get us out of it -- perhaps most poignantly illustrates how our nation is struggling in a morass of vitriolic disagreements.

I give you two perspicacious observers: Alexander Hamilton (196 years ago) and Bill Raspberry (a week ago Friday):

From Hamilton:

> "The latent causes of faction are thus sown in the nature of man; and we see them everywhere brought into different degrees of activity, according to the different circumstances of civil society. A zeal for different opinions concerning religion, concerning government, and many other points, as well of speculation as of practice; an attachment to different leaders ambitiously contending for pre-eminence and

> power; or to persons of other descriptions whose fortunes have been interesting to the human passions, have, in turn, divided mankind into parties, inflamed them with mutual animosity, and rendered them much more disposed to vex and oppress each other than to co-operate for their common good. So strong is this propensity of mankind to fall into mutual animosities that where no substantial occasion presents itself the most frivolous and fanciful distinctions have been sufficient to kindle their unfriendly passions and excite their most violent conflicts."
>
> From Raspberry:
>
> "We have become a nation of adversaries. Some will argue that we always have been, but I don't think so.
>
> It is true that there has always been intergroup conflict of one sort or another: white men and Indians, ranchers and sodbusters, Whig and Tory, town and gown. But, save where overriding group or national interests were at stake, it was usual to be a little embarrassed for feuding where cooperation would have been more appropriate.
>
> We aren't embarrassed any more. The adversarial relationship has come to be accepted as the norm.
>
> This adversarial attitude harms us all..
>
> ... when it comes to bargaining between institutions, as opposed to individuals, the adversarial system takes hold, and reason flies out the window.
>
> There has to be a better way."

I am not here, however, to talk about political science -- but about management in the Executive Branch.

But members of the Committee, management in our Executive Branch has now become tangled together with that furious pluralism to which Messrs. Hamilton and Raspberry refer. These vitriolic disagreements rage not only outside the precincts of the Executive, but within -- and we public administrators too often find ourselves -- from both personal and professional motives -- caught in the iron triangles of ex parte advocacy.

Hamilton went on to warn against this failing two centuries ago, as I would warn against it this morning:

> "No favorable circumstances palliate or atone for the disadvantages of dissension in the Executive Department...They serve to embarrass and weaken the execution of the plan or measure to which they relate, from the first step to the final conclusion of it. They constantly counteract those qualities in the executive which are the most necessary ingredients in its composition -- vigor and expedition, and this without any counterbalancing good."

Such suggestions as I have had for moving us public administrators out of the advocacy business and toward a fully active but more objective and professional role in government were set forth in my Inaugural Address as President of ASPA in Denver last April. I enclose a copy of those remarks under Tab 2.

I concluded that good management in the Executive Branch requires from us career professionals less *ex parte* ardor and more cool intellect.

Our job in the public policy process is to ask penetrating questions (even the embarrassing ones), dig out full information (even if the truth be jolting) and evenhandedly lay out all the options for choice (even those that are unwelcome). Doing that kind of tough intellectual analysis is, in the words of a well-known airline, "doing what we do best."

If in some parts of this testimony I am asking the Committee for some help, *here* in this part is behaviour you should demand from us: cool professionalism unswayed by narrow parochial ardor.

THIRD: GOOD MANAGEMENT AND THE NUMBERS OF NON-CAREER APPOINTEES

Based on my long associationship with the White House, and on my ever-present recollection of the language of the first sentence of Article II, I personally have been a vigorous defender of the powers and prerogatives of the Presidency.

One of those prerogatives is patronage: the nominations or appointments made by the President, or the clearance in the White House of non-career appointments technically made by Cabinet and Agency Heads.

Good executive management in its broadest sense -- in our democracy -- includes each President's infusion into his executive branch of people with new energies, and with ideas compatible with his own. They help to nudge our government of 2.1 military and 2.1 civilian employees in the policy directions of the only empowered Executive person the people elect: the President.

But a repetitive and often corrosive weakness is inherent in the patronage process: discontinuity in policy and operations. The initial discontinuity every fourth January 20th (or every 8th in some cases) is to be expected and perhaps celebrated. But what of the months that follow? In his book "A Government of Strangers" Hugh Heclo pinpoints the fact that most political executives stay on the job not for the four years of their President's term, but for much shorter periods. 54% of the Assistant Secretaries from 1960 to 1972, he found, stayed in office 24 months or less.

Heclo documents the discontinuities and disruptions which take place within the agency and across agency lines every time such a senior change occurs.

A panel of the National Academy of Public Administration in 1974 added its own emphasis:

> ...the rapid movement in and out of key positions, in and out of different agencies, and in and out of government would be intolerable in most private enterprises...
>
> (M)any observers have set one or two years of experience in such posts as essential before an incumbent is prepared to pay good dividends. Former Commerce Secretary Maurice Stans, for example, said: "A business executive needs at least two years to become effective in government, to understand the intricacies of his programs, and to make beneficial changes."
>
> A secondary effect is the impact of this turmoil upon the career personnel~~,~~ upon their ability to maintain some degree of operating continuity, let alone contribute to policy decisions, and upon their morale. As one career man in the OMB said: "The top management of this place is like a carousel. I don't know from week to week who my next boss will be."

Some Presidents like Mr. Carter try to persuade their political colleagues to stay the course (but we remember Mr. Carter himself making some abrupt Cabinet changes); the Reagan administration makes no apologies for political executives coming to Washington only briefly and then returning to "the real world" elsewhere.

I stress to this Committee that career public administrators are constantly ready to help new appointees; we are their partners, not their opponents. But true help often means pointing out pitfalls, reminding of the need for coordination, warning about statutory or court-ordered limitations -- all of which are too often interpreted by the political novice as "footdragging" by the career subordinates. I need only to point to the recent agony of EPA to illustrate how tempestuous and even tragic non-career/career relationships can become.

I am convinced, therefore, that an important aspect of improving management in the Executive Branch will be to minimize both the disruptions and frictions which inhere in the frequent advent of new political executives.

But now I have to say that there is another multiplier in the equation of disruption and friction: not just the factor of the frequency of change but the very number of political executive posts in which this rotation occurs.

My last assignment in the Presidential Personnel Office of the Ford White House was to make a complete count of the numbers of full-time, non-career positions in the Executive Branch, categorized by agency, grade-level and type of appointment. The resulting chart is encclosed as Tab 3. It shows that in the Fall of 1976 there were precisely 3,031 full-time non-career positions in the Executive Branch, 2,177 of them GS-14 and above.

Now, 8 years later, how many are there? I have no firm figures to give you, but only an informed suspicion that the present number may be over five thousand.

I respectfully put to you the following related propositions:

-- that the non-career contingent in the federal executive branch is now too numerous;

-- that the disruptions and discontinuities from the ceaseless changes in that contingent outweigh -- even for the President -- the advantages of infusing new blood;

-- that the concentric rings of middle-level non-career "special assistants" who tend to surround senior executives often constrict rather than broaden out the channels of relationships with career professionals which are indispensable to good management; and

-- that this steep increase in political positions is particularly true in agency field offices, where the justification for any more than one non-career job per agency is, I think, very thin.

In setting this thesis before you, it is equally important to stress that I am not making any judgments about the quality or capabilities or performance of those political executives themselves. That is a separate matter which I must leave for others to evaluate and debate.

I respectfully suggest to the Committee that it undertake a survey to bring that 1976 chart up to date, and then with the eight-year span of facts in hand, make its independent analysis of my propositions.

(The "Policy and Supporting Positions" booklet of the House Post Office and Civil Service Committee is not the answer to this request, since it includes many wholly professional positions which happen to be in Schedules A, B and the scientist/engineer category.)

FOURTH: THE ORIENTATION OF NON-CAREER EXECUTIVES AS A VITAL PART OF GOOD MANAGEMENT

Whether 2,177 or twice that number, there will always be a large group of senior non-career appointments which each new Administration will make and (as was evidenced above) often re-make during the term of a President.

Many if not most of these senior political appointees will be new to Washington, new to the environment of public service. If they come from a partisan background after an election which changes the Party in the White House, they may not only be new, but in addition be possessed of a pugnacious dislike of many policies, programs and people they find when they arrive. If they come from the campaign their policy ideas may be encapsulated in slogans whose simple absolutes divide a good vs evil universe supposedly populated only by cohorts and enemies. If they come new from the business world they are likely to yearn for clear lines of responsibility, quick decision-making and quantifiable, "bottom line" results. They are the President's Team, and the electorate has told them to move decisively and change the nation.

But as you Committee Members know, the environment of public service is not a black-and-white world of crisp orders, unquestioning obedience and rapidly-appearing results. It is a world of divided and shared powers, of other turf-defending agencies, a jealous Congress, independent-minded state and local governments, other sovereign nations, organized advocacy groups and a persistent press. In such a world, changing public policies or altering the programs of government is not a simple task for the machete and the bullhorn, but an arduous art, needing the scalpel and the handshake.

It is in the interests of the President, and of good management at the highest levels of government, that new senior political executives be introduced to this world rapidly and expertly, and in the process be given a great deal of help and orientation.

From personal experience on this score, I submit: it is the White House which must carry the first line of responsibility for this assistance to these, the President's own policy colleagues.

When I was Deputy Cabinet Secretary under President Eisenhower, we planted the seed of this orientation idea, but it was President Ford who began a truly systematic program. During 1975-6 every non-career executive GS-17 and up who was new to Washington was instructed by the Presidential Personnel Office to attend a three-day orientation session, held right in the White House Theater. John Rhodes would talk to them about dealing with the Congress, Ron Nessen about handling the press, Dick Cheney about the role of White House Staff, the Chairman of the Civil Service Commission about reaching out to establish cooperative relationships with career employees. And similarly on the agenda: the OMB, the NSC, the Freedom of Information Act, the Privacy Act, conflict of interest rules. On the last afternoon the group -- of about 55 -- would have cocktails with the President in the White House Garden. Thus did good morale and good management reinforce each other.

President Carter in effect let this program lapse, but I am pleased to tell you that after a reminder from our American Society for Public Administration and from the National Academy of Public Administration, President Reagan re-instituted a somewhat similar program under the auspices of Mr. Craig Fuller and of my ASPA colleague Mr. Edward Preston. Of course specific, job-related briefings within their new agencies are the necessary concomitant of the White House sessions for new appointees.

We in ASPA very strongly want to see these White House orientation seminars continued by each successive President and we believe that the good precedents set up to now will carry this momentum forward into future administrations.

Very special kinds of orientation and planning are required for the seniormost managers in the national security community. In the spirit of S. Res. 329 which recently passed the Senate, we in ASPA would especially urge you, Senator Bingaman, in your capacity as a Member not only of this Committee but also as a Member of the Armed Services Subcommittee on Preparedness, to satisfy yourself that the most thoroughgoing training is being provided to key decision-makers so that they are personally prepared in advance and able to cope with the information and actions needed to minimize the accidental or unintentional deepening of a national security crisis. There is no higher priority arena for attention to good management.

FIFTH: THE MANAGEMENT OF POLICY DISSENT

There is one other aspect of good management in the federal system to which I would like to call attention on behalf of the American Society for Public Administration during these oversight hearings.

The problem is an old one: how to handle policy dissent within the career services. We have Inspectors General and agency hotlines to help ferret out fraud, waste and abuse. The Merit Systems Protection Board, by law, provides protection to whistleblowers, the latter being defined as those who expose "violations of law, rule or regulation or which they believe constitute mismanagement, gross waste of funds, abuse of authority or a danger to public health or safety."

But the most difficult and delicate aspect of this problem of dissent is when the dissenter is not the exposer of lawbreaking or abuse, but disagrees with his or her superiors on a substantive matter of policy.

What recourse do such executives have? Some of them resign, and their experience and commitment are then lost to the federal government. Some of them turn into leakers, but we all recognize that this undermines the effective functioning of those who are responsible in government, and may itself involve lawbreaking if classified material is leaked. Many more simply hunker down and keep quiet, but the decision makers above them may then be the poorer for not being aware of the dissenters' honestly-argued positions.

ASPA would like to bring to your attention an institutionalized practice for the encouragement and preservation of dissent which has been put into effect in one of the most fast-moving and necessarily disciplined agencies of the executive branch: it is the Dissent Channel in the Department of State.

With its beginnings in 1969, the Dissent Channel was formally instituted in Novemmber 1972, and subsequently reaffirmed and strengthened. In essence it provides that employees here or abroad who dissent from policy recommendations of their superiors can invoke a special "Dissent Channel" for memoranda or messages; this channel ensures (a) that top-level officers in the Secretary's office will know about the dissent; (b) that the dissenter gets an acknowledgment within a week; and (c) gets a substantive response after senior decision makers (often including the Secretary, who gets a copy of each such message) have reviewed the dissenter's views and reasons. The strongest admonitions are made to Departmental superiors not ever to penalize dissenters for taking advantage of this channel. ASPA has been advised that approximately 125 messages have been sent in this channel over the last thirteen years and that the dissent mechanism has indeed had the result of enriching the policy process within the Department of State.

A second agency has a similar system for welcoming and paying attention to the sincerely held arguments of dissenters: the Nuclear Regulatory Commission. Four years ago the Commission initiated a formal procedure called "Differing

Professional Opinions" and the system has been invoked twenty-one times, in many cases on highly important technical and safety matters.

I enclose under Tab 4 some materials on State's Dissent Channel. I respectfully recommend to the Subcommittee that on a future occasion it invite the responsible officers in both State and the NRC to tell the Subcommittee more about these very creative systems. The objective would be to recommend their use to many other Departments and Agencies throughout the Executive Branch.

Honest and thoughtful policy dissent can be handled with coarse stupidity or with creative sophistication. It is good management to use the latter rather than the former.

* * * * *

I thank the Committee for inviting me here this morning, and will be happy to respond to any questions.

Bradley H. Patterson, Jr.

Bradley Patterson has been a Senior Staff Member of the Advanced Study Program of The Brookings Institution since January 1, 1977.

He has been a Federal Career Executive for thirty-two years, fourteen of which have been on the White House Staff.

Mr. Patterson was born in Wellesley, Massachusetts. He received his Bachelor's and Master's Degrees from the University of Chicago, taught at the Cranbrook School in Bloomfield Hills, Michigan, and joined the Department of State in 1945.

After nine years in the State Department, Mr. Patterson was appointed the Assistant Cabinet Secretary at the White House and served in that post from 1954 to 1961. He then was named Executive Secretary of the Peace Corps (1961-1962), a National Security Affairs Adviser to the Secretary of the Treasury (1962-1966), Executive Director of the National Advisory Commission on Selective Service (1966-1967), and Executive Director of the National Advisory Council on Economic Opportunity (1967-1969). He was a member of the Class of 1966 at the National War College. In the Fall of 1969 Mr. Patterson rejoined the White House Staff as the Executive Assistant to Leonard Garment, being closely involved with civil rights and Indian affairs. In late 1974 he was appointed Assistant Director of the Presidential Personnel Office; later President Ford also designated him as his coordinator for policies and programs affecting American Indians.

In 1960 Mr. Patterson received the Arthur S. Flemming Award as one of the Ten Outstanding Young Men in Federal Service, and in 1975 he was given a Special Citation by the Civil Service Commission.

Mr. Patterson is the President of the 17,000 member American Society for Public Administration, the nationwide professional organization of public administrators. He served previously as Vice President, then President of ASPA's National Capital Area Chapter, as Chair of ASPA's National Policy Issues Committee and as a Member of ASPA's National Council.

In the Fall of 1981 Mr. Patterson was elected to membership in the National Academy of Public Administration.

Mr. Patterson is the author of a Special Paper of the American Society for Public Administration entitled, The President's Cabinet: Issues and Questions; of an article in the Spring 1978 issue of The Bureaucrat entitled, "White House Staff: The Bashful Bureaucracy"; and of an article about the Reagan White House Staff in the December 1980 issue of The Washingtonian.

Tab 1

TO THE MEMBERS OF THE 1984 REPUBLICAN PLATFORM COMMITTEE:

My name is Bradley H. Patterson, Jr., and I am representing the Public Employees Roundtable, a coalition of twenty-one professional organizations of career public servants with a combined membership of 750,000 men and women. I am President of one of those 21: the 17,000-member American Society for Public Administration, and am also Chairman of the Roundtable's Platform Drafting Committee.

In addition to the Roundtable's 21 member organizations, I am specifically appearing on behalf of eleven distinguished American leaders of both parties who have joined with the Public Employees Roundtable in endorsing a series of short planks for insertion in the Democratic and in the Republican Platforms. I believe each of you has a copy of the planks and of the names of the eleven signatories.

The Democratic Platform Committee has acted, and now it is your turn.

Ladies and gentlemen: your Platform at the Convention next week will propose objectives and priorities which you earnestly desire will guide a re-elected President and his Executive Branch for the next four years.

Standing ready to help any President, or any Governor or Mayor, to carry out the policies which they or their legislatures enunciate are the career public servants of our country. In the Federal executive branch: 2.1 million military and 2.1 million civilian employees; in State and local governments, 13,000,000 more. We are helpers, and I might add, we are also voters.

In this election year, you, the political leaders of this Party, are drawing up your blueprint for the nation. If the voters reelect your candidate, we skilled professionals can help him fulfil his electoral mandate. We can help him flesh out his policy proposals, warn against pitfalls, estimate costs, find ways of working faster and leaner, prepare supporting arguments to the

Congress--and, when laws are enacted, we can turn to and help make his objectives become realities--throughout the country and around the world.

President Reagan himself has recognized this fact when he said, last December 19, "The ability of this or any administration to succeed depends in no small degree upon the energy, the dedication, and the spirit of our nation's civil servants."

Military men and women, Foreign Service men and women, civil service men and women: all of us have a 200-year-old tradition of commitment, accomplishment and sacrifice. With that tradition, we are not merely automatons; neither are we reluctant foot-draggers. We public employees are indispensable partners in the enterprise of serving the citizens of America.

Why should your Party Platform speak of us?

Two reasons.

First: Election years are always--and properly--a time of public debate about the objectives and programs of government. But partisan candidates are tempted to mis-identify the government activities they don't like with the career public servants who are obliged to carry out the laws faithfully until those laws are changed. We ask that this year's candidates avoid that mis-identification. Our faithfulness should not be your opprobrium.

Second: There is much attention now to what government can learn from the private sector. Listen to what the challenging book, In Search of Excellence, distills as the lessons from America's best-run companies:

> "Treat people as adults. Treat them as partners; treat them with dignity; treat them with respect. Treat them--not capital spending and automation--as the primary source of productivity gains ... In other words, if you want productivity ... you must treat your workers as your most important asset."

Your Party and your President want good government. We urge you to take a cue from the Excellence book, stop snarling at the so-called "bureaucrats" and pledge instead to reach out for the collaboration of us, your career professionals.

Our proposed bi-partisan planks call for an orientation program for the government's new political executives; President Reagan has undertaken such a program and we commend him for it.

Our planks ask for respect and collaboration; they are not a basket of gimme-gimme advocacy, nor a raid on the Treasury. They are positive and up-beat, not negative and whining.

Our planks are not one-sided. We for our part pledge reciprocal obligations: support in the implementation of a President's policies; full cooperation in introducing more effective methods of accomplishing the public's business.

To all political executives we say: we are your partners. Speak of us that way, treat us that way--and public administration in America will take a quantum jump in quality.

If we believe President Reagan himself is committed to those words of his I have quoted, surely these planks of ours merit a place in his own Platform.

I thank the Platform Committee for considering these planks, and for inviting me here today.

Public Employees Roundtable

Post Office Box 7610
Ben Franklin Station
Washington, DC 20044
202 376 1555

May 2, 1984

The Honorable Geraldine A. Ferraro
Chairwoman
The Platform Committee of the
1984 Democratic Convention
312 Cannon House Office Building
Washington, D.C. 20515

The Honorable Trent Lott
Chairman
The Platform Committee of the
1984 Republican Convention
2400 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairwoman Ferraro and Chairman Lott:

The Public Employees Roundtable, a coalition of some twenty organizations of career government employees and of those allied with them, respectfully presents to you a letter from eleven distinguished American leaders.

These men and women of both Parties, from their unparalleled experience in public life, urge you and your Platform Committee colleagues to include the eleven enclosed non-partisan planks in the 1984 Platforms of both Parties.

We ask that you circulate this letter and the proposed planks to the Members of your Committees and we ask that you afford one of the signatories and a representative of the Public Employees Roundtable the opportunity to testify at an appropriate Hearing of your Platform Committee.

Respectfully yours,

G. Jerry Shaw
G. Jerry Shaw
Chair
Public Employees Roundtable

Bradley H. Patterson, Jr.
Chair, Drafting Committee and
President, The American Society
for Public Administration

May 2, 1984

MEMORANDUM FOR THE MEMBERS OF THE PLATFORM COMMITTEE
OF THE 1984 DEMOCRATIC NATIONAL CONVENTION

We wish first to congratulate you upon your designation as a Member of the 1984 National Democratic Platform Committee. In your and your colleagues' hands rests an opportunity to shape the nation's policy direction for the future.

It is, of course, the mandate of a Platform Committee to declare what policies and programs of the past are to be re-emphasized or must be changed, and what new national directions should be set.

But no statement of governmental policy or program is going to make any difference at all unless it is implemented by a capable and highly motivated cadre of career employees, led by a corps of competent political executives--with the two groups working very closely together.

Most of us have been senior political executives in the executive branch ourselves, and our many years of experience impel us to write you with the following proposal.

We urge that you include in the 1984 Democratic Platform a brief set of planks (enclosed) dealing specifically with the public service: affirming the Party's respect for the dedication and competence of the vast majority of our career employees.

These reciprocal assurances are long overdue and we believe that including them in the Platform ranks as equally important as any substantive statement of domestic or foreign policy which your Committee and the Convention may devise.

Respectfully yours,

Frank C. Carlucci
Former Deputy Secretary
of Defense

Wilbur Cohen
Former Secretary of Health,
Education and Welfare

John T. Dunlop
Former Secretary of Labor

Arthur S. Flemming
Former Secretary of Health,
Education and Welfare

Shirley M. Hufstedler
Former Secretary of Education

Vernon Jordan
Former President, National Urban
League

Raymond Marshall
Former Secretary of Labor

Elliot Richardson
Former Attorney General

Dean Rusk
Former Secretary of State

Rocco C. Siciliano
Former Undersecretary of Commerce

Cyrus Vance
Former Secretary of State

May 2, 1984

MEMORANDUM FOR THE MEMBERS OF THE PLATFORM COMMITTEE
OF THE 1984 REPUBLICAN NATIONAL CONVENTION

We wish first to congratulate you upon your designation as a Member of the 1984 National Republican Platform Committee. In your and your collegues' hands rests an opportunity to shape the nation's policy direction for the future.

It is, of course, the mandate of a Platform Committee to declare what policies and programs of the past are to be re-emphasized or must be changed, and what new national directions should be set.

But no statement of governmental policy or program is going to make any difference at all unless it is implemented by a capable and highly motivated cadre of career employees, led by a corps of competent political executives--with the two groups working very closely together.

Most of us have been senior political executives in the executive branch ourselves, and our many years of experience impel us to write you with the following proposal.

We urge that you include in the 1984 Republican Platform a brief set of planks (enclosed) dealing specifically with the public service: affirming the Party's respect for the dedication and competence of the vast majority of our career employees.

These reciprocal assurances are long overdue and we believe that including them in the Platform ranks as equally important as any substantive statement of domestic or foreign policy which your Committee and the Convention may devise.

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Elliot Richardson
Former Attorney General

Dean Rusk
Former Secretary of State

Rocco C. Siciliano
Former Undersecretary of Commerce

Cyrus Vance
Former Secretary of State

May 2, 1984

PROPOSED PLANKS FOR THE 1984 REPUBLICAN AND DEMOCRATIC PLATFORMS

From our first-hand experience--in recent years--in conducting the Presidency and in managing the federal executive branch of our government, the Republican/Democratic Party:

-- Affirms its respect for the competence, commitment and dedication of the vast majority of the career men and women who work for our country in the nation's military, civilian and postal services.

-- Salutes the achievements, sacrifices and accomplishments of these men and women, whether they are in the glamorous frontier of outer space, the down-to-earth work of delivering the mail or even in such unpopular but indispensable tasks as collecting taxes and enforcing the laws.

-- Pays tribute to the contributions made by millions of those men and women--over decades of service, throughout America and in far away posts and stations--to the security, health, prosperity, and concept of justice in our nation.

-- Is aware of the facts: that the civilian federal executive branch of 2.1 million agency and 660,000 postal employees has not substantially grown in size for 32 years and in actuality has been a declining proportion of America's civilian workforce.

-- Recognizes that, irrespective of our views on the programs and policies of the past, our quarrel is not with the career employees in our government. We know that they must faithfully carry out the existing laws, court mandates and regulations until those rules are changed by new acts of Congress, new court decisions or by amended regulations instituted through open rulemaking processes.

-- Pledges that as soon as the Republican/Democratic President takes the oath of office in 1985, he and all of his political associates will invite the advice and reach out for the collaboration of the government's career executives in helping to make the changes which the electorate has demanded. In such an environment of two-way communication, our President will reciprocally expect the careerists' support in the implementation of his policies.

-- Proposes that a Republican/Democratic President will immediately institute a White-House-sponsored program of preparation and orientation of his incoming cadre of new non-career executives, in order that they can become effective managers within the environment of federal decision-making.

-- Is convinced that the career men and women of the federal government, no less than we, are eager to help root out waste and inefficiency from any corner of the executive branch, and that they will gladly work with a Republican/Democratic presidential team to introduce more effective methods of accomplishing the public's business.

-- Promises to support federal compensation and benefit systems which are as directly as possible comparable to those of non-federal workers.

-- Pledges that our personnel policies for the men and women of the federal executive branch will follow the Purposes and the Merit System Principles set forth in the Civil Service Reform Act of 1978.

-- Affirms that these policy statements apply as well to the career employees of our State and local governments, and pledges that our 1984 Republican/Democratic gubernatorial, state/legislative and local candidates will support these principles.

WILLIAM V. ROTH, JR., DEL., CHAIRMAN

CHARLES H. PERCY, ILL.
TED STEVENS, ALASKA
CHARLES MC C. MATHIAS, JR., MD.
WILLIAM S. COHEN, MAINE
DAVID DURENBERGER, MINN.
WARREN B. RUDMAN, N.H.
JOHN C. DANFORTH, MO.
THAD COCHRAN, MISS.
WILLIAM L. ARMSTRONG, COLO.

THOMAS F. EAGLETON, MO.
HENRY M. JACKSON, WASH.
LAWTON CHILES, FLA.
SAM NUNN, GA.
JOHN GLENN, OHIO
JIM SASSER, TENN.
CARL LEVIN, MICH.
JEFF BINGAMAN, N. MEX.

JOAN M. MC ENTEE, STAFF DIRECTOR

United States Senate
COMMITTEE ON
GOVERNMENTAL AFFAIRS
SUBCOMMITTEE ON
CIVIL SERVICE, POST OFFICE, AND
GENERAL SERVICES
WASHINGTON, D.C. 20510

SUBCOMMITTEE
TED STEVENS, ALASKA, CHAIRMAN
CHARLES MC C. MATHIAS, JR., MD.
WILLIAM L. ARMSTRONG, COLO.
JEFF BINGAMAN, N. MEX.
JIM SASSER, TENN.
WAYNE A. SCHLEY, STAFF DIRECTOR

May 11, 1984

Mr. Bradley H. Patterson, Jr.
President
American Society for Public Administration
1120 G Street, N.W., Suite 500
Washington, D.C. 20005

Dear Brad:

Thanks for your note and the attached material regarding the Republican platform. I agree with the proposed plank and will try my best to help.

With best wishes,

Cordially,

TED STEVENS
Chairman

MAY 16 1984

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release December 19, 1983

REMARKS OF THE PRESIDENT IN PRESENTATION OF PRESIDENTIAL RANK AWARDS FOR THE SENIOR EXECUTIVE SERVICE

Room 450
The Old Executive Office Building

11:50 A.M. EST

THE PRESIDENT: I assume that you've all been in here long enough to get warm. (Laughter.) Just walking across the street if my voice quavers, it isn't emotion. (Laughter.) I'm cold.

But good morning and welcome. It's always a pleasure to meet with the people who are responsible for making our government work. The ability of this or any other administration to succeed is -- in no small measure depends on the energy, the dedication and the spirit of our federal employees.

And government service is a partnership. In other words, there's a relationship between political leaders, who do most of the talking, and career employees, who do most of the work.

When we speak of government, we may think of an impersonal bureaucracy with lots of regulations and paperwork, but just as this is a government of the people, it's also a government run by people. People like you, who have committed your lives and your careers to jobs that are vital to our nation. Your work is government and without you it would come quickly to a halt.

Even if there were no awards, like those for today, most of our federal employees would still do their best working to give our citizens honest government. People don't choose government service for prestige, glamour or recognition. They're not trying to get rich. They're just trying to make a difference. And that's important.

In this centennial year, anniversary of the Civil Service, we should remember that government is only as good as the people who make it work one day at a time. Government must limit what it does; but it still must perform its responsibilities with care and professionalism. You can't have good programs without good people. Well, you're the good people. And the Presidential Rank Awards provide the opportunity to recognize your great services to our nation. And it gives us a chance to show our appreciation for your contributions, your imagination and your hard work.

These awards also provide an incentive for all federal employees to help us improve the effectiveness of government. There is always

MORE

room for improvement. You haven't earned your awards by luck. It's because of exceptional performance.

The nearly 7,000 members of the Senior Executive Service are among the finest group of executives anywhere. To be singled out and selected for the prestigious Presidential Rank Award is an honor. You have good reason to be proud, and America is fortunate to have you on our team.

You've searched for ways to reduce the growth of the budget and you succeeded. You've looked for more efficient ways to run programs and you've found them. You've tried to better serve our citizens and you're doing it.

From the Johnson Space Center to the Fish and Wildlife Service in Anchorage, Alaska and from the Department of State to the VA Medical Center in Gainesville, Florida, you are on the front lines, day in and day out, setting high standards for us all.

And ladies and gentlemen, you're what is best about government: the commitment and determination of individual citizens in service to our nation. Through your efforts, we can make today's federal government a model for the generation that'll follow us. And I'm counting on you and so are the American people. So I --

God bless you and thank you all very much for all that you are doing. (Applause.)

END 11:53 P.M. EST

Tab 2

THE AMERICAN SOCIETY FOR PUBLIC ADMINISTRATION

INAUGURAL REMARKS OF
BRADLEY H. PATTERSON, JR.

as President of ASPA
Denver, Colorado - April 11, 1984

Men and Women of Public Administration -- My friends in ASPA:

It is particularly appropriate that we in this Spring of 1984 are gathered here in Denver, at the foot of the Rocky Mountains.

Look out the door this afternoon. Towering there in the west you will see what Coloradans respectfully call The Front Range. Behind it for miles rise a jumble of peaks and ridges, cliffs and snowfields -- a set of barriers that even today in April wall off almost all land travel.

As some of you know, my hobby is mountaineering.

I ask you to allow me, this noon, to use an expedition metaphor as I speak to you in this, our geographical and philosophical encampment below these massive ramparts. We pull up stakes tonight, but just ahead we who serve our country in the teaching and practice of government, will be coming up against some formidable barriers. We in ASPA face an allegorical as well as visible "Front Range" and beyond that an even more challenging wilderness of lost valleys and inhospitable mountainsides.

The "Front Range" that looms over us first, as our 1984-85 "expedition" begins, is the icy wall, the snow-blanket of citizen suspicion of governmental institutions.

This glacial suspicion, like most glaciers, is old and thick.

Since the Minutemen and the Anti-Federalists, Americans have always been both apprehensive and resentful of governmental authority. Yet in the years since 1787 government has served our people, helped our country grow and in large measure has "taken care that the laws be faithfully executed."

You would never know it from listening to some of our latest political leaders. Mr. Reagan rails at the "tons of bureaucracy" and the "Government Goliath"; Mr. Hart, hoping to get George Wallace's support last month, asked Alabama voters to "send a message to the insiders in Washington." (We remember that Mr. Wallace's "message" was about those "pointy-headed bureaucrats".)

Our insulated boots may have to withstand a lot more of that slush and ice in the next seven months. What distresses me is that the level of discourse has shrunk down to ankle-height. What ought to be an elevating debate about the true limits of government: the War Powers Resolution, the First Amendment, the legislative veto, the budget process -- probably will instead be degraded by all the campaigners before the TV cameras into the kind of slogans I have quoted. Dumping on "the bureaucracy" is so much easier than discussing the Constitution...

Exploiting that proper American fear of too much governmental power by portentous references to those "insiders" -- that's us, you know: in Washington or Indianapolis or Sacramento or wherever -- that gets cheap cheers today but tomorrow breeds vindictive distrust of all our public institutions.

This year, ASPA is not going to sit on the sidelines amid that snowstorm of slogans. We are going to climb that front range ourselves.

Together with the Public Employees Roundtable, we have drafted a set of eleven planks for insertion in the national platforms of both the major parties. I have the pleasure of announcing to you this noon that with bipartisan help from Arthur Flemming and Wilbur Cohen we have gotten a group of eleven distinguished Americans to sign a collective letter to both Platform Chairs. In an early issue of Public Administration Times you will see the final planks, the letter and a picture of the presentations. We are asking to be invited to testify before both Platform Committees. These planks promise respect for the career public service, and the 11th plank makes this promise extend to state and local candidates.

I cannot tell you whether either the Republican or the Democratic Platform Committees will in fact put these planks into the Platforms. But I hereby invite every single Chapter of ASPA as well as us at national level to bring these non-partisan planks to the attention of local and national candidates and to monitor their statements this summer and fall using those planks as a standard. I am hereby asking each chapter to establish a non-partisan surveillance mechanism and to use its Newsletter as well as P.A. Times to let our members know whether that standard is being observed or ignored.

I stress again that this exercise in political mountaineering is completely non-partisan. Those platform planks apply with precisely equal force to every candidate for public office in 1984.

It is possible that our task may be easier this year. In remarks to senior executives last December 19, President Reagan said "The ability of this or any other administration to succeed is -- in no small measure depends on -- the energy, the dedication and the spirit of our federal employees." (Our distinguished ASPA colleague, Ralph Bledsoe, is a senior White House Staff member, and I suspect that he had a hand in that statement. I have thanked Ralph and Pat Florestano has thanked the President.)

In an article of January, 1983, Mr. Mondale said "I would try as President to stop the ridiculing and deriding of the services of millions of decent Americans who are public servants and honor them for their work and their service to all of us."

Maybe our message is getting through!

We shall not be silent.

We shall set our ice-axes on that front glacier, look the political eagles in the eye and tell them: we want to see 1984 full of robust debate about the policies and directions of national, state and local government. But we insist that if there be critics they cast their vituperation on the policies and not on the career officers of government who carry them out.

We shall not let any candidate white out that distinction.

Having assaulted the Front Range, I ask you to look beyond.

In the real Rockies, and in our allegorical mountains, looms a second barrier, an equally forbidding maze of windswept tundra and glaring precipices. I am going to call it the Wilderness of Lost Consensus.

We explorers in public administration have to be shocked at the America we see.

Gone are the guideposts of the '40s and '50s: the bipartisanship personified by Senator Vandenberg when politics stopped at the water's edge; the Congressional deference to leaders like Rayburn and Russell the affectionate "I like Ike" respect for a two-term President.

Some of those 1950 stereotypes were too comfortable: that America was in every way Number One in the world, reliable and invincible; that blacks "knew their place," gays were unmentionable, women only raised kids at home, and the air, rivers and sea were the commons into which everybody could keep on dumping everything. Too comfortable, and wrong.

But now it seems that our expedition has moved from the old plateau where Americans agreed on too much to the edge of today's wilderness where they agree on practically nothing.

Take up our binoculars and look ahead at those peaks of pluralism. Search the barrenness for any signs where meadows of consensus might lie.

What about the purpose of government? To hold a "social safety net" perhaps, but how big and where are its edges? No agreement. To guard against race and gender discrimination? Perhaps, but to what extent to compensate for past discrimination? No agreement. To "bring God back into our schools" or to keep Church and State apart? Emotional divisions. To maintain services to citizens (i.e. weather satellites) or to let private sector initiatives supply those services? No agreement on where the line should be drawn. To provide for the common defense with much more or much less resources? To deploy more nuclear weapons, or freeze or build down? Dissent and protest fill the air.

What about the size of government? What percent of our GNP should be used in federal public sector outlays -- 21? 23? 25? No agreement. Should federal, state and local governments carry out their same responsibilities with fewer people? No agreement.

What about the inner structure of government? Should more decision-making about programs be moved to state or local levels? No consensus. Should the Federal Reserve Board be more responsive to Presidential leadership, or the Civil Rights Commission less? Is the War Powers Resolution proper and constitutional? A debate rages. Should there be more or less public scrutiny over the national security agencies? No agreement.

What about Foreign policy? The Middle East, arms control, Central America, Japanese imports, East-West Trade: disagreement is profound.

Finally, the most portentous illustration of the evaporation of American consensus is the budget gulf into which we peer. It is two hundred billion dollars deep and no trail or footbridge is yet discernable across those depths.

My basic question to you this noon is: what are the implications for public administrators as we and the nation try to traverse these canyons of cacophony? How do we who teach and practice in government conduct ourselves in a wilderness of lost consensus?

We hear some voices from nearby mountaintops. President Reagan says: within the Bible "are all the answers to all the problems that face us today if you'd only read and believe." Mr. Hart says we need "new ideas" and "a new generation." Mr. Mondale says "where's the beef?" and Mr. Jackson says his "time has come" We mountaineering pros must caution you: in thin air, beware of anoxia.

There are some other would-be trail-blazers. The Senate says: get a balanced budget by amending the Constitution; Congressman Obey says have a biennial budget; former Presidential adviser, Ted Sorenson, proposes that we have a unity government for the next four years: a President of one Party and a Vice President of the other, with the Cabinet and the Sub-Cabinet equally divided. Former Presidential Counsel, Lloyd Cutler, advises us to move toward a parliamentary system.

In my view, resting on slogans or tinkering with our equipment will not get us up this trail. As Rudy Penner, Director of the Congressional Budget Office, stated a few weeks ago: the nation's need is for political will. Without political will, even the most fine-tuned mechanisms won't suffice.

Make no mistake about what I am saying here: these questions about the purpose, size and structure of our government, about foreign policy and above all about the budget are political questions. They are not judicial, so courts should stay out of the act; they are not primarily technical, so we administrators have a limited advisory role. Though we will be tremendously affected, career public administrators will not make these decisions; that will be the task of the political leaders in our system: presidents, Governors, mayors, legislators and voters.

We've got to help them, but getting the needed consensus is their job.

We wonder, of course, how and how soon they are going to do it.

This year's elections may give us some answers -- may set some markers in our wilderness.

Some leaders and economists warn us that we can't wait even that long, that Congress and the President must take major deficit-reducing actions in this Session.

And if we have a squeaker next November, the political controversies will roar on -- toward 1986 and 1988.

This wilderness of lost consensus may be, for us, miles and years wide.

Why will our trek be so hard? What are those other peaks and barriers up ahead which will make consensus so difficult to attain?

In the real Rockies, 'way out there,there are inner massifs like the Gore Range, the Mummy Range, the Never-Summer Range. In my allegory here -- in our mountain wilderness of lost consensus -- there are five especially formidable barriers.

The first is the very pluralism of our society. Ye gods what thousands of spires and parapets! The special pleading outfits in Washington range from the palaces on H Street to the holes-in-the-wall near Dupont Circle. All of us are dinned, deafened, by the alpenhorns of advocacy from those narrow crags. What worries me is the relentlessness of their trumpeting. I know of at least one seasoned Washington counsel who, if he meets with his opponents to negotiate an agreement, is flayed by the activists in his own organization for even sitting down with people of different views. Some of the correspondence received by the opponents of the Prayer Amendment was literally satanic in fury. Can we even step out onto slopes scarred by such avalanches of vengeance?

The second barrier is the litigiousness of our citizenry. In 1960-61 more than 91,000 cases were filed in the federal courts. In 1970-71 the figure was over 138,000. In 1981-81 better than 212,000 cases were filed, and in State courts: 26,000,000. Every policy tent we and our political leaders erect is punctured by the hailstones of litigation.

The third and fourth barriers to consensus are bedrock: the mixed powers arrangement of our federal system and the shared powers melange in our three separate branches of government. The thunderstorms of disagreement from these mixtures of authority, however, are by constitutional design. In Madison's words:

> "by so contriving the interior structure of the government as that its several constituent parts may, by their mutual relations, be the means of keeping each other in their proper places."

Liberty and justice were what the Framers wanted; consensus, as between federal and state, or among President, Congress and Courts, was engineered out of the system. We public administrators have no quarrel with that; we live with those thunderstorms every day.

But even Madison's separations can perhaps be so strained that they might get out of whack. Whoever is President next January will, I am sure, make urgent proposals for reallocation of federal/state responsibilities, and both Messrs. Sorenson and Cutler are in fact asking a pertinent question: in these days of ultra-pluralism, can an elected President "form a government"? (I am asking our Centennial Agendas Committee to immerse itself in that question.)

This brings me to the fifth barrier at the far end of our expedition:

factionalism within the executive branch itself.

The Framers knew that factionalism pervades government, but they expected that factional disputes would be settled primarily in the House of Representatives. The House would be the mirror of the people. As the Virginia anti-federalist George Mason put it:

> "To make representation real and actual, the number of Representatives ought to be adequate, they ought to mix with the people, think as they think, feel as they feel, ought to be perfectly amendable to them, and thoroughly acquainted with their interest and condition."

As for the Executive Branch, what did the Federalists intend? Listen to Hamilton:

> "Energy in the executive is a leading character in the definition of good government. It is essential to the protection of the community against foreign attacks; it is not less essential to the steady administration of the laws;"
>
> and again:
>
> "No favorable circumstances palliate or atone for the disadvantages of dissension in the Executive Department...They serve to embarrass and weaken the execution of the plan or measure to which they relate, from the first step to the final conclusion of it. They constantly counteract those qualities in the executive which are the most necessary ingredients in its composition -- vigor and expedition, and this without any counterbalancing good."

(As Paul Van Riper reminds us in PAR last December, public administration began not with Wilson, but with Hamilton.)

But now, in the 1980s, what we do have?

Mason's quotation still describes the House, and there is there, as the framers foresaw, factionalism aplenty.

But look at our federal Executive Branch of 2.1 million military and 2.1 million civilian employees. Through the application of law and reasonably successful affirmative action, it has become even more representative of the American population than the House itself. In gender, race, ethnicity, educational background, economic and social class origin, our military forces and civil public administrators (that's us!) may be a more accurate mirror of our society than are the 435 Representatives. (And likely true of state and local executive staffs as well.)

Not surprisingly, into that 4.2 million has crept the same factionalism which only the House was supposed to handle. Our own expedition guidebook has omitted Hamilton's directions.

We recognize: there are dozens of agencies, hundreds of bureaus and thousands of distinctive units in the Executive Branch, each with its own professional bias on issues of public policy. This creates a healthy diversity, though time-consuming and frustrating for folks in the Executive Office who are trying to assemble coherent policy options. But some of us public administrators are tempted to go further, to take Mason literally and ourselves become not only "thoroughly acquainted with" but even "perfectly amenable to" the people directly.

The resulting feature, the so-called iron triangles reaching deep into the Executive Branch, would be anathema to Hamilton and Madison.

In Article II the Framers prescribed that "the executive Power shall be vested in a President", but pity the man who gets inaugurated next January. Not only will he find his hundreds of bureaus differing with one another (State vs. Defense, Treasury vs. the Council of Economic Advisers, even some of his own White House Staff vs. others on his White House Staff) -- but those quarrels are magnified and exacerbated by Congressional committees and advocacy groups -- whose lack of consensus is endemic. Their lack becomes our lack -- unity and energy in the Executive are dissipated.

As a Hamiltonian, to me, this is public administration going awry. A part of our wilderness of lost consensus is of our own making.

To use Mason's words: "thoroughly acquainted with the interest and condition" of the people we administrators must be -- but our amenability runs to our Executive Heads, just as, for those of us who are staff to legislators, their amenability runs to the members for whom they work. We must let legislatures and Presidents and governors and mayors represent the people; our job is to help those leaders muster the political will which is so needed, and to help them devise proposals which can command the consensus now lacking.

If we are discontent with this role; if we administrators are hankering independently to reflect the views of the people or of their organized constituency groups, then we should do what Dick Cheney did: leave our capital cities, go out to the grass roots, run for the legislature and, if successful, come back to the Congress as he did, with as authoritative a voice, now, for the people of Wyoming as he had previously been for the President.

But we are tempted to have it both ways: to accept our salaries as federalists but be anti-federalist in our policy behavior. Thus, this last barrier to consensus may be the hardest to surmount: it is ourselves.

Look once more across that wilderness of lost consensus -- at those five formidable barriers: pluralism in our society, the litigiousness of our citizenry, a federal system, the separation of powers in Washington, and the dissipation of unity in our national and state and local executive branches. Where do we go from here?

As ASPA's temporary guide in this expedition -- you have given me a one-year contract -- I don't want to scare you unduly about this undertaking.

Complete consensus has never been an attribute of American government. Listen to Hamilton again:

> "The latent causes of faction are thus sown in the nature of man; and we see them everywhere brought into different degrees of activity, according to the differenct circumstances of civil society. A zeal for different opinions concerning religion, concerning government, and many other points, as well of speculation as of practice; an attachment to different leaders ambitiously contending for pre-eminence and power; or to persons of other descriptions whose fortunes have been interesting to the human passions, have, in turn, divided mankind into parties, inflamed them with mutual animosity, and rendered them much more disposed to vex and oppress each other than to co-operate for their common good. So strong is this propensity of mankind to fall into mutual animosities that where no substantial occasion presents itself the most frivolous and fanciful distinctions have been sufficient to kindle their unfriendly passions and excite their most violent conflicts."

(Was that written in 1787 or just yesterday?)

Complete consensus would be as stultifying as it is impossible. I would no more wish for unanimity on public policy than I would want the magnificent peaks of the Rockies to be as level as the plains to the east of us.

But, as the nation's budget and foreign policy issues remind us, we mountaineers have to move. We may have been surrounded by the hills and ravines of faction since Hamilton's time, but now, in April of 1984, we are among 14,000-foot peaks, and if we don't find some faint trail, a cairn or two to help go forward, we are candidates for collective hypothermia.

Where do we move? What is the role of public administrators in a divided and uncertain nation?

Fish in our pockets; let's see if we have any guidebooks. Here are a few:

UAW President Douglas Fraser three years ago told us to go forth and fight our President.

OPM Director Don Devine has urged us to pay more attention to Max Weber, who said "The honor of the civil servant is vested in his ability to execute conscientiously the order of superior authorities."

Our own ASPA Code of Ethics majestically advises us "to promote the public interest."

Writing in the new "Citizenship" edition of PAR, Professor Ralph Chandler tells us that "civil servants...may in fact be competent to define the public interest on their own authority."

Our very good friend, Congresswoman Pat Schroeder, recently suggested that we pay less attention to either our political superiors or to the Congress, and push for what the laws say to do.

Mary Berry, just last Monday, in effect advised us that because she -- and some of us -- oppose the policies of the incumbent President, we should curtail Presidential and Cabinet power.

We administrators certainly have a plethora of prescriptions!

I would pitch out Mr. Fraser's guidebook, but none of those other trail-maps quite satisfy me either.

If the requirement is for political will, our political executives need help.

Our job is to give our elected and appointed leaders the professional assistance they are so desparately short of (witness the EPA of a few months ago). We have to join our knowledge and skills to what we must hope will be their political gumption and courage, and together make our system produce just enough consensus to move on the country's problems. How can we public administrators best give this help? I can discern eight signal cairns on the skyline, and I will end by suggesting that we strike out in the direction they point.

First: Lighten our packs by throwing out the advocacy baggage which we or others may have stuffed in in the past. We work for the nation, or the state, the county, the city -- not for any lesser population than the polity as a whole. If our government service is with a given group: youth, or native Americans, or the elderly, farmers, duck-hunters or whatever, our vision is still that we help the smaller entity because the larger society has deemed that service important, not the other way around.

Too much to ask, I suppose, that all the iron triangles be changed into straight lines: from advocacy groups direct to the legislatures, but we public administrators don't have to be the hypotenuse!

Second: Fill our canteens with the clear, cold water of intellectual integrity. We must help our elected and appointed political executives find comprehensive answers which will resolve problems, rather than try to bend or trap them into quickie solutions which fit only what may be our own parochial view of the world. The White House Staff is accused of being sycophants; the bureaucracy is accused of being special pleaders. Both stereotypes are largely unfair but neither sycophancy nor special pleading have any place in Executive Branch public administration. Both of these behaviour types involve distorting facts, leaving out choices, supressing unwelcome information and making over-optimistic forecasts. (Some of the Grace Commission product is only the most recent example of this pathology.) Whether our contribution is a paper for the Assistant Director or a Memorandum for the President, if it doesn't have intellectual integrity, it only mucks up the policy process and badly misleads both the executive and the country. John Gardner put it best in his Godkin Lectures in 1969:

> "...we will not accomplish the exceedingly difficult tasks of redesign that lie ahead without a combination of commitment and cool intellect. Intellect alone won't generate the courage and determination necessary to cut through the obstacles. But the contemporary fashion of ardor without intellect is even more inadequate. The tasks of social change are tasks for the toughminded and competent."

Could it have been one of our forebears who said, "General Custer, there are only a few of those Indians!"? Let us public administrators never believe we can cultivate consensus by manipulation.

Third: I urge you to reject the false guidebook of trying to restructure local, state or the federal government because we don't happen to like the policies of the Chief Executive in power. Remember: the governance of the Executive which we might curtail today is the weakened governance of the new Executive for whom tomorrow we might wish success. We public administrators must take the long view of the public policy process; this expedition of ours is not for months, but for decades.

The *fourth* marker up the trail is put there for our political superiors. *Our* intellectual integrity is not enough; you must open up the channels of discourse. In the federal executive branch are just over 4 million military and civilian subordinates, many on the front lines of government operations. Even if federal spending has to be *trimmed*, some of us can and will tell you expertly how to do it. But under every recent President there have been examples of political executives who have walled themselves off from the career expertise available to them. Just how stupid and how embarrassing to the President this can be is evidenced in the EPA last year. (We had a special panel at this Conference which diagnosed and underscored that shortsightedness.) What can we career officers do about this? For one thing, we can support our distinguished ASPA colleague, Ed Preston, and his very capable superior Craig Fuller. They serve in the White House today, organizing orientation seminars for the non-career executives of this administration: helping them, as I did in the Ford White House, learn how to make the government policy process the cooperative effort it has to be. We also had a special panel here in Denver discussing this orientation program -- an initiative, incidentally, which ASPA and NAPA jointly proposed to Mr. Reagan in December of 1980. We should also remember: one of those eleven platform planks promises that such an orientation program will be continued in January of 1985 -- and I promise you that ASPA will again follow up to help make sure it happens.

Fifth: If *we* abide by the strictest standards of intellectual integrity, and if our political superiors keep the avenues of discourse with us open, another phenomenon is going to crop up: dissent. How do our systems of public administration handle that? I am not talking about complaints of fraud, waste, abuse or discrimination; there are Inspectors General and hotlines and a Merit Systems Protection Board and an EEOC to handle such allegations. What happens when we disagree on policy grounds? Are there only three avenues for us: shut up, resign or leak?

No, there is a fourth option. It has been in use since 1972 in, of all places, the Department of State. It is called the Dissent Channel. Policy dissent is valued and protected; the dissenter's views are brought directly to the Office of the Secretary. The dissenter's ideas are distributed, thought about (they have been known to change the Secretary's decision significantly), and the dissenter gets a substantive answer. The dissenter cannot be punished for using this special channel of internal communication. If a fast-moving and disciplined outfit like State can keep up such a system, any Department can. I am inviting our Section on Personnel and Labor Relations to study State's Dissent Channel and to consider bringing it to the attention of the Cabinet Council on Management and Administration for possible use throughout the executive branch, and to state and local governments as well.

Sixth: I have sketched out what might be considered the elements of a reciprocal arrangement: with our political executives we eschew both special pleading and sycophancy, and they keep open avenues of communication with us. We pledge intellectual integrity and they welcome and protect the dissent which such integrity may at times engender. There is another obligation which all of us in every governmental institution must assume: to respect privileged information, whether classified in the security sense or not. A former White House officer recently told a Brookings Conference that within minutes of the adjournment of a Cabinet Council meeting, the results would be leaked. So pervasive is this practice, he said, that decisions are no longer made by the

President in those Councils, but reserved for private action afterwards. All of President Carter's Cabinet minutes were leaked to The Nation and printed in its September, 1978 edition. Such a betrayal of trust would have ruined President Eisenhower's Cabinet system of which I was a part.

Every President is incensed at such disloyalty; your kiesters would be bleeding too if your doctor, your psychiatrist, your priest or your spouse disclosed the privileged parts of your conversations.

I recognize that most leaks actually come from senior political executives who are feuding with one another, or even from the President himself as part of a trial balloon process. But this lessens not by an ounce the burden on us public administrators to protect the privileged information to which the communication we want gives us access.

Seventh: Even after throwing the accumulated iron triangles out of our backpacks, there is still excess parochial baggage which many of us are taking up the trail: our clothes. Just look at you: figuratively I see the uniforms of Army, Navy, Air Force, Marine Corps, Coast Guard, the stripes of State, the blue jeans of Agriculture, the olive green of the Park Service, the white coats of the N.I.H.. You are wearing those heavy old clothes, weighted with the trimmings and traditions of -- to be sure -- very distinguished organizations. But now that we are together up here in the mountains, I have to ask you: take them off. Heavens! is Patterson suggesting a high atitude strip-tease -- a nudist procession? Nothing like that, but I do propose the latest mountaineering fashion for public administrators: what Pentagoners call the purple suit.

Purple suiters are those who have freed themselves, taken off the tight collars of conformity. They are no longer intellectually or emotionally penned within their parochial organization charts. They respect their functional specialties but this respect is not burdened with the antiquated accoutrements of turf, jealousy or advocacy. Purple suiters conceptualize and negotiate across the old stone walls of bureaus or departments. They deal with cross-cutting issues from a broad perspective, combining disciplines and integrating facts and options from all the pertinent sources. These are the summit challenges in policymaking today. You who are purple-suiters will be the first ones over the Continental Divide.

Finally there is the last cairn before the pass. Like many such real cairns I have seen, it tells us that there is no certain path after that, no one course that is absolutely right, forever.

As I wrote in my Centennial Essay:

"In our American system, policies enunciated and actions taken by governments for their citizens are almost never fixed or settled truths, but are tentative, incremental steps in the unending process of allocating rights and responsibilities in a free society.

"There is a massive dialectic at work: each policy, every governmental act, is but the bruised and trembling product of a contentious, often intemperate, political and administrative gestation. In its birth process, it is fought over within the Executive, in the legislature, the courts and the press -- raucously and publicly -- or, just as heatedly but perhaps more privately in the incessant negotiations among departments, states or nations. No sooner does the infant thesis of policy or act see the light of day than the antithesis arises (or a dozen of them); it is attacked; whistleblowers sound off; oversight hearings are called; lawsuits filed; amendments are proposed; revisions insisted upon -- and the dialectic process goes on to another interim synthesis, ad infinitum.

"On some of these issues, the Departments of State and Defense must resolve their disagreements within minutes; on other issues our nation may debate for a century.

"As Woodrow Wilson implied in his essay in 1887, all of government is fluid process; no policy or act is final, nor should it aim to be.

"'Decisions' today don't stand still at all; they are bobbing corks in the fluid process. What we or presidents, governors, judges and legislatorss do at any given time is simultaneously the gripping, climactic denouement of yesterday's drama, but then also only the opening scene in tomorrow's play."

As we reach the heights, as hopefully we discover at last, perhaps not the Long's Peak of consensus, but the Milner Pass of sufficient agreement, we public administrators must still keep our balance. Indefiniteness and uncertainty will continue to be with us.

More mountains are to come.

Allow me a personal closing.

As you lift off from Stapleton Airport this afternoon or tomorrow, Long's Peak will be the giant, cube-topped massif shimmering in the northwest.

I have climbed that mountain twice.

Those ascents, my own four decades of professional life, this coming year as your President, and the allegorical expedition I have been describing to you -- are all mixed together in my emotions.

The teaching or practice of public service is, for each of us, much like those arduous ascents.

There are the morning forests of promise, the singing freshets of enthusiasm. Next come the upward trails of hard work -- and after long toil they open out on the vast expanse of Boulder-field where only the smallest stacks of stones mark a route over enormous rocks. The East Face is 1700 feet up; Chasm Lake thousands of feet below. Cables of support are there to grab, clouds move in, thunderstorms threaten, a tiny rock shelter at the Keyhole may keep out the hail. The summit is ethereal, but lightening portends and the descent is hurried.

The real exhilaration, however, is not in signing the register at the summit cairn but in the whole adventure. The bright sky and thin air, the white cliffs and blue water, the clouds and birdsong, the surrounding rings of mighty peaks: but also the utter exhaustion, the danger and risk, the dragging of one foot after the other, the tired fist hand over hand, the struggle of mind over body.

The ecstasy is in the enterprise.

So it has been for my 41 public years, and for yours, and so it will be for our year together, and your years on into the future. We in ASPA in 1984 are but a temporary segment of a long line of brilliant and dedicated men and women, climbing over the hills of history and proving that -- in this very chancy world -- a free society can succeed.

They had no easy path, and I offer you none.

But the Rocky Mountains are there.

They are waiting for us.

Berg Heil!

Tab 3

SCHEDULE OF FULL-TIME NON-CAREER POSITIONS

AGENCY	PAS														PA									SCHEDULE Cs (E.O. 10440 & 10577)			SCHEDULE Cs								(3/31/76)		N.E.A. (E.O. 11315) (12/31/75)				NCOA PAA (3/31/76)	A.D. PAA (3/31/76)			OTHER NON-CAREER POSITIONS											TOTAL EXEC. LEVEL	GRAND TOTAL
	I	II	III	IV	V	18	17	16	15	14	13	12	11	SUB-TOTAL	II	III	IV	V	18	17	16	15	SUB-TOTAL	IV	V	SUB-TOTAL	18	17	16	15	14	13	12	11	10 & UNDER	TOTAL Cs	18	17	16	TOTAL			III	IV	V	18	17	16	15	14	13	12	11	10 & UNDER	SUB-TOTAL		
STATE:																																																										
DEP'T'L	1	2	3	[illegible]										24					2				2	2**		2				2		1	4	3	16	27			2	2																26	
*AMBS		[illegible]	[illegible]	[illegible]	[illegible]									[illegible]																																1										[illegible]	
AID		[illegible]		[illegible]										[illegible]		1	1		1		1	1	[illegible]	1	1	2						1	1		[illegible]	[illegible]			1	1	57	[illegible]													1	[illegible]	
INT'L BODIES		[illegible]	[illegible]	[illegible]	[illegible]									[illegible]																																										[illegible]	
TOTAL	1	[illegible]	[illegible]	[illegible]	[illegible]									[illegible]		1	1		2		1	1	[illegible]	3	1	4				2		1	5	4	18	33			3	3	57	[illegible]				1									1	[illegible]	401
TREASURY:	1	1	4	8	1	2			2	2	2			[illegible]										1	2	3				11	2	2	6	8	5	[illegible]	10	2	5	17																18	79
DEFENSE:	1	1	1	[illegible]	2									[illegible]										3	11	14			5	13	4	2	6	10	67	121	27	10	9	46								2							2	49	204
JUSTICE:																																																									
DEP'T'L	1	1	3	[illegible]	2	1	[illegible]							[illegible]										1	1	2				7	3	4	3	4	[illegible]	[illegible]	12	16	6	34						3		8	10						21	22	
U.S. ATTORNEYS				1		[illegible]	[illegible]	[illegible]						[illegible]																					[illegible]	[illegible]																				[illegible]	
MARSHALS									[illegible]	[illegible]	[illegible]	1	1	[illegible]																																											
TOTAL	1	2	3	[illegible]	2	[illegible]	[illegible]	[illegible]	7	[illegible]	[illegible]	1	1	[illegible]										1	1	2				7	3	4	2	4	22	[illegible]	12	16	6	34						3		8	10						21	28	324
INTERIOR:	1		1	7	4	2								[illegible]				1					1		2	2				22	5	1	1	10	13	54	10	21	18	49						1		1	1						3	16	122
AGRICULTURE:	1		1	5	2									9										1	3	4	1			20	7	6	1	5	16	[illegible]	10	10	10	[illegible]																15	118
COMMERCE:																																																									
DEP'T'L	1		1	[illegible]	[illegible]	2	2							[illegible]										2	2	4	1			[illegible]	7	2	2	11	11	[illegible]	14	14	10	[illegible]						3		1							3	21	
REGIONAL COMMISSIONS			1	[illegible]	[illegible]	1								[illegible]															2	[illegible]	[illegible]	1			[illegible]	[illegible]																				[illegible]	
TOTAL	1		2	[illegible]	[illegible]	[illegible]	2							[illegible]										2	2	4	1		2	[illegible]	10	[illegible]	[illegible]	11	17	[illegible]	14	14	10	[illegible]						3		1							3	28	[illegible]

* NOT COUNTED: THREE POSTS (VIETNAM, CAMBODIA & UGANDA) WITH WHICH DIPLOMATIC RELATIONS HAVE BEEN SUSPENDED. COUNTED: SOME FIVE POSTS EACH OF WHICH IS FILLED CONCURRENTLY BY THE SAME AMBASSADOR TO ANOTHER COUNTRY.

** STATE'S CHIEF OF PROTOCOL ALSO HAS A WHITE HOUSE TITLE.

SCHEDULE OF FULL-TIME NON-CAREER POSITIONS

AGENCY	PAS														PA									SCHEDULE Cs (E.O.s 10440 & 10577) (3/31/76)													N.E.A.s (E.O. 11315) (12/31/75)				NCOA PAA	A.D. PAA	OTHER NON-CAREER POSITIONS													TOTAL EXEC. LEVEL	GRAND TOTAL
	I	II	III	IV	V	18	17	16	15	14	13	12	11	SUB-TOTAL	II	III	IV	V	18	17	16	15	SUB-TOTAL	IV	V	SUB-TOTAL	18	17	16	15	14	13	12	11	10 & UNDER	TOTAL Cs	18	17	16	TOTAL	673(b)	673(b)	III	IV	V	18	17	16	15	14	13	12	11	10 & UNDER	SUB-TOTAL		TOTAL
LABOR:	1		1	6	2	1								11										1	3	4				9	3	3	2	10	11	42	4	7	8	19							1								1	14	73
H.E.W.:	1		1	12	3	1	1							19				***2	1		2		5	1	3	4				20	8	6	4	7	11	60	14	21	15	50				1		2									3	24	145
H.U.D.:	1		1	10										12										1	7	8				28	14	10	5	16	12	93	3	16	12	31																20	136
D.O.T.:	1	3	3	7										14										2	2	4	1	1	1	14	3	3	2	7	8	40	17	12	16	45						9	2	5							16	18	115
EXECUTIVE OFFICE:																																																									
O.M.B.		1	1	1										3										7		7				1		1		2	9	20		2	1	3																10	26
O.T.P.			1	1										2																				1	2	3	2	1	1	4																2	9
C.E.A.		1		2										3																			2	2		4																				3	7
N.S.C.																	1						1																																	1	1
NAT'L CAPITAL SERVICES																****	1						1																																	1	1
C.I.A.		1	1											2																																										2	2
C.E.Q.		1	1	2										4																							1		1	2																4	6
C.I.E.P.		1												1																																										1	1
C.W. & P.S.				1										1																																	2	2							4	1	5
O.S.R./TN		1		2										3																								1		1																3	4
DOM. COUN.																																												1		←	8	→							9	1	9
P.F.I.A.B.																				1			1																																		1
O.D.A.P.		****	1	1	****									2																																										2	2
SCIENCE POLICY		1	4											5																																										5	5
WHITE HOUSE OFFICE															10	2	4	←		18	→	1	35																							←	16	→	15	16	20	14	28	96	207	15	242
TOTAL		7	9	10										26	10	2	6	←		19	→	1	38	7		7				1		1	2	5	11	27	3	4	3	10				1		←	28	→	15	16	20	14	28	96	220	53	321

*** MRS. KNAUER ALSO HAS A WHITE HOUSE TITLE

**** GRF DOES NOT INTEND TO FILL.

SCHEDULE OF FULL-TIME NON-CAREER POSITIONS

AGENCY	PAS														PA									SCHEDULE Cs (E.O.s 10440 & 10577) (3/31/76)													N.E.A.s (E.O. 11315) (12/31/75)				[illegible]	[illegible]				OTHER NON-CAREER POSITIONS										TOTAL EXEC. LEVEL	GRAND TOTAL
	I	II	III	IV	V	18	17	16	15	14	13	12	11	SUB-TOTAL	II	III	IV	V	18	17	16	15	SUB-TOTAL	IV	V	SUB-TOTAL	18	17	16	15	14	13	12	11	10 & UNDER	TOTAL Cs	18	17	16	TOTAL			III	IV	V	18	17	16	15	14	13	12	11	10 & UNDER	SUB-TOTAL		
A.C.D.A.														6																																											7	19
ACTION														[illegible]																																											[illegible]	[illegible]
ADMIN. CONF. OF U.S.														[illegible]																																											[illegible]	[illegible]
ALASKA LAND-USE COMM.														[illegible]																																											[illegible]	[illegible]
ARBA														[illegible]																																											[illegible]	[illegible]
C.A.B.														[illegible]																																											[illegible]	[illegible]
CANAL ZONE GOVT.														[illegible]																																											[illegible]	[illegible]
C.F.T.C.														[illegible]																																											[illegible]	[illegible]
CIVIL RIGHTS COMM.														[illegible]																																											[illegible]	[illegible]
C.P.S.C.														[illegible]																																											[illegible]	[illegible]
C.S.A.														[illegible]																																											[illegible]	[illegible]
C.S.C.														[illegible]																																											[illegible]	[illegible]
DELAWARE R.B.C.														[illegible]																																											[illegible]	[illegible]
E.E.O.C.														[illegible]																																											[illegible]	[illegible]
ELECTRONIC FUNDS TRNSF COMM.														[illegible]																																											[illegible]	[illegible]
E.P.A.														[illegible]																																											[illegible]	[illegible]
E.R.D.A.														[illegible]																																											[illegible]	[illegible]
EXPORT-IMPORT BANK														[illegible]																																											[illegible]	[illegible]
F.C.C.														[illegible]																																											[illegible]	[illegible]
F.C.I.S.C.														[illegible]																																											[illegible]	[illegible]
F.D.I.C.														[illegible]																																											[illegible]	[illegible]
F.E.A.														[illegible]																																											[illegible]	[illegible]
F.E.C.														[illegible]																																											[illegible]	[illegible]
F.H.L.B.B.														[illegible]																																											[illegible]	[illegible]
F.M.C.														[illegible]																																											[illegible]	[illegible]
F.M.C.S.														[illegible]																																											[illegible]	[illegible]
F.P.C.														[illegible]																																											[illegible]	[illegible]
F.R.S.														[illegible]																																											[illegible]	[illegible]
F.T.C.														[illegible]																																											[illegible]	[illegible]
GREAT LAKES B.C.														[illegible]																																											[illegible]	[illegible]
G.S.A.														[illegible]																																											[illegible]	[illegible]
I.C.C.														[illegible]																																											[illegible]	[illegible]

SCHEDULE OF FULL-TIME NON-CAREER POSITIONS

AGENCY	PAS														PA								
	I	II	III	IV	V	18	17	16	15	14	13	12	11	SUB-TOTAL	II	III	IV	V	18	17	16	15	SUB-TOTAL
IND. CL. C.					5									5									
INTER-AMERICAN FOUNDATION																							
I.T.C.				1	5									6									
NO. R.B.C.																			1				1
NASA		1	1											2									
NAT'L CENTER FOR PRODUCTIVITY				1										1									
NAT'L CREDIT UNION ADM.				1										1									
NAT'L END - ARTS			1											1									
NAT'L END - HUMANITIES			1											1									
NAT'L MEDIATION BOARD			1	2										3									
NAT'L TRANSPORTATION SAFETY B.			1	4										5									
NEW ENGLAND R.B.C.																			1				1
N.L.R.B.			1	5										6									
N.O.A.A.			1	3	1									5									
N.R.C.		1	4											5									
N.S.F.		1	1		4									6									
OHIO R.B.C.																			1				1
O.P.I.C.			1	1										4									
O.S.H.R.C.			1	2										3									
PACIFIC N.W. R.B.C.																			1				1
PERSONNEL INT.-CH PRES. C.																							
POSTAL R.C.																1	4						5
RAIL PUBLIC COUNSEL, OFC. OF						1								1									
REN. B.D.					5									5									
S.B.A.			1											1									
S.E.C.			1	4										5									
SELECTIVE SERVICE			1											1									
SINAI SUPPORT MISSION																	1		1				2
SMITHSONIAN INSTITUTE																							
SUSQUEHANNA R.B.C.																			1				1

AGENCY	(E.O.s 10440 & 10577) SCHEDULE Cs (3/31/76)													N.E.A.s (E.O. 11315) (12/31/75)				NCOA FAA §311(b)	A.D. FAA §325(b)
	IV	V	SUB-TOTAL	18	17	16	15	14	13	12	11	10 & UNDER	TOTAL Cs	18	17	16	TOTAL		
IND. CL. C.												5	5						
INTER-AMERICAN FOUNDATION												1	1		1		1		
I.T.C.							2	4	1	1	6	5	19	1			1		
NO. R.B.C.																			
NASA	1	9	10				1			2	2	3	18						
NAT'L CENTER FOR PRODUCTIVITY											1		1						
NAT'L CREDIT UNION ADM.								1	1			1	3		1	1	2		
NAT'L END - ARTS							3	2		2			7	1	1	1	3		
NAT'L END - HUMANITIES							2						2	1		2	3		
NAT'L MEDIATION BOARD																			
NAT'L TRANSPORTATION SAFETY B.							5	1			1	5	12	1			1		
NEW ENGLAND R.B.C.																			
N.L.R.B.										1	2	5	8	1	1	7	9		
N.O.A.A.																			
N.R.C.																			
N.S.F.																			
OHIO R.B.C.																			
O.P.I.C.												2	2						
O.S.H.R.C.							1			1		2	4		1	4	5		
PACIFIC N.W. R.B.C.																			
PERSONNEL INT.-CH PRES. C.															1		1		
POSTAL R.C.																			
RAIL PUBLIC COUNSEL, OFC. OF																			
REN. B.D.							5				1	4	10						
S.B.A.	1	3	4				5	2	3	1	6	1	20	4	5	6	13		
S.E.C.									1			9	10	3		1	4		
SELECTIVE SERVICE										1			1		2	1	3		
SINAI SUPPORT MISSION																			
SMITHSONIAN INSTITUTE																			
SUSQUEHANNA R.B.C.																			

AGENCY	OTHER NON-CAREER POSITIONS													TOTAL EXEC. LEVEL	GRAND TOTAL
	III	IV	V	18	17	16	15	14	13	12	11	10 & UNDER	SUB-TOTAL		
IND. CL. C.														5	10
INTER-AMERICAN FOUNDATION															2
I.T.C.														6	26
NO. R.B.C.															1
NASA														12	20
NAT'L CENTER FOR PRODUCTIVITY														1	2
NAT'L CREDIT UNION ADM.														1	6
NAT'L END - ARTS															11
NAT'L END - HUMANITIES														1	6
NAT'L MEDIATION BOARD														3	3
NAT'L TRANSPORTATION SAFETY B.														5	18
NEW ENGLAND R.B.C.															1
N.L.R.B.														6	23
N.O.A.A.														5	5
N.R.C.														5	5
N.S.F.														6	6
OHIO R.B.C.															1
O.P.I.C.													3	5	7
O.S.H.R.C.						2							2	3	14
PACIFIC N.W. R.B.C.															1
PERSONNEL INT.-CH PRES. C.															1
POSTAL R.C.														5	5
RAIL PUBLIC COUNSEL, OFC. OF															1
REN. B.D.														5	15
S.B.A.														5	[illegible]
S.E.C.														5	19
SELECTIVE SERVICE														1	5
SINAI SUPPORT MISSION														1	2
SMITHSONIAN INSTITUTE				1									1		1
SUSQUEHANNA R.B.C.															1

SCHEDULE OF FULL-TIME NON-CAREER POSITIONS

AGENCY	PAS													
	I	II	III	IV	V	18	17	16	15	14	13	12	11	SUB-TOTAL
T.V.A.			1	2										3
UPPER MISS. R.B.C.														
U.S.I.A.		1		1										2
VETERAN'S ADMINISTRATION		1												1
WATER RESOURCES COUNCIL														
TOTAL EXECUTIVE BRANCH	11	63	107	212	212	29	26	49	10	36	24	1	1	822
LEGISLATIVE		1	1	2										4
JUDICIAL	9	171	1	1	421									593
TOTAL	20	195	109	226	154	29	26	49	10	36	24	1	1	1425

AGENCY	PA									SCHEDULE Ca (E.O.s 10440 & 10577) (3/31/76)												
	II	III	IV	V	18	17	16	15	SUB-TOTAL	IV	V	SUB-TOTAL	18	17	16	15	14	13	12	11	10 & UNDER	TOTAL Ca
T.V.A.																						
UPPER MISS. R.B.C.					1				1													
U.S.I.A.											2	2					1		1		4	8
VETERAN'S ADMINISTRATION										III/1	4	5				4		1	1	1	1	13
WATER RESOURCES COUNCIL																						
TOTAL EXECUTIVE BRANCH	10	4	12	3	13	1 ←18→	4	2	67	III:1 IV:27	66	94	6	6	14	202	98	63	71	160	251	1,128
LEGISLATIVE			1						1													
JUDICIAL														(TAX COURT)				9	13	18	19	53
TOTAL	10	4	13	3	13	1 ←18→	4	2	68	III:1 IV:27	66	94	6	6	14	202	98	72	99	190	270	1,181

AGENCY	N.E.A.s (E.O. 11315) (12/31/75)				NCOA PAS	A.D. PAS	OTHER NON-CAREER POSITIONS													TOTAL EXEC. LEVEL	GRAND TOTAL
	18	17	16	TOTAL			III	IV	V	18	17	16	15	14	13	12	11	10 & UNDER	SUB-TOTAL		TOTAL
T.V.A.																				3	3
UPPER MISS. R.B.C.																					1
U.S.I.A.	4		1	5																7	15
VETERAN'S ADMINISTRATION	2	2	1	5			1	1	1										3	9	22
WATER RESOURCES COUNCIL	1			1																	
TOTAL EXECUTIVE BRANCH	178	184	171	533	52	110	1	3	12	20	←24→ 19	20	19	16	20	14	20	99	380	745	3,031
LEGISLATIVE										6	40	38	(Lib. of Congress)						84	5	89
JUDICIAL				53						1	4								5	598	656
TOTAL	178	184	171	533	52	110	1	3	12	27	63 ←24→	76	19	16	20	14	20	99	1,107	1,348	3,776

Tab 4

Origins of the Dissent Channel

Secretaries Rusk and Rogers and the Search for Alternate Policy Ideas

Secretary of State Dean Rusk had a strong interest in stimulating new policy ideas in the Department. He revitalized the policy planning function by replacing the moribund Policy Planning Staff (S/P) with the Policy Planning Council (S/PC). He encouraged his Deputy Under Secretary for Management to jolt the Department forward by introducing new management concepts and tools. A variety of programs were introduced to stimulate officers of the Department and the Foreign Service including more opportunities for service in other agencies, expanded university training, and seminars in new areas of international affairs such as science, technology, and population growth. Secretary Rusk also granted official status for the Open Forum Panel as a channel of alternative foreign policy ideas to him.[1]

On his first day in office on January 22, 1969, Secretary of State Rogers assured the Department officers of his commitment to a receptive and open establishment where divergent ideas were fully and promptly passed on for decision.[2] Again on September 29 Secretary Rogers issued a special Department Notice reiterating the Open Forum's mandate for bringing ideas "and well-thought-out dissent" to his attention and other top officers where such ideas might not reach through regular channels.[3]

"Diplomacy for the Seventies" and Department Reform

In 1969 Secretary Rogers charged Deputy Under Secretary for Management Macomber with the preparation of a detailed management reform plan for the Department. Macomber created 13 task forces including 250 Foreign Service, Department, and AID officers. These task forces completed their work in the autumn of 1970. Their 600-page combined report, including more than 500 recommendations, was entitled "Diplomacy for the Seventies: A Program of Management Reform for the Department of State."[4]

Task Force VII on the Stimulation of Creativity urged as its first recommendation that Department's top leadership develop and sustain an active interest in stimulating creativity in the Department and the Foreign Service. The Task Force argued that creativity could not flourish in the Department unless channels existed for new ideas to move to the top. The Task Force found existing channels for transmitting new ideas to the Department's decisionmakers to be inadequate.

Task Force VII further recommended that "the Planning and Coordination Staff be empowered and directed to perform the adversary function for the Office of the Secretary." The Task Force considered whether either the Secretary's Open Forum Panel or the Bureau of Intelligence and Research could play a role in strengthening the adversary role in the Department. The Task Force decided that the Open Forum lacked bureaucratic authority and continuing access to decisionmakers while INR's mission of research and analysis and relationship with other agency intelligence groups were inconsistent with an adversary function. The Task Force concluded that the Policy and Coordination Staff was the organization already in existence and mandated by regulation to provide for and stimulate innovation and creativity. The Task Force recommended that regulations be revised to give S/PC full authority and responsibility for recommendations coming to the Secretary from subordinate levels in an adversary proceeding.[5]

As a result of the Task Force recommendations, the Department in February 1971 issued a new Section 101, "Policy of Openness in Post Management" to the Foreign Affairs Manual (FAM):

> 101 Policy of Openness in Post Management
>
> "As a matter of general policy, the Chief of Mission, the Deputy Chief of Mission, and the Principal Officer of a consular post shall encourage and support the free exchange of ideas and criticism throughout the mission. Staff members are encouraged to make known their ideas and opinions on operations, management, and all other activities of the post. Officers who may conclude, after carefully weighing all views, that they cannot concur in a report or recommendation are free to submit a dissenting statement without fear of pressure or penalty. Every effort, of course, should be made to resolve differences within the mission. The policy of openness is intended to encourage the candid debate which at times may be necessary to reach a consensus on issues within a mission without appeals to the Department."[6]

Formalizing a Dissent Channel

Further steps were soon taken by the Department to give substance to the adversarial process in the Department recommended by the Task Forces. A Management Reform Bulletin in July 1971 directed wide-ranging modifications in the methods and organization of the Secretarial level of the Department -- the "Seventh Floor". One of the changes called for was the expansion of the Policy Coordination Staff to allow it to play an "adversary" role for the Department principals.[7]

In a circular telegram to all diplomatic and consular posts in November 1971, the Director General of the Foreign Service prescribed basic handling, distribution and captioning instructions for expressions of dissent. Specifically, the dissent messages were to be "EXDIS", "inhouse" documents whose distribution would be limited to Department principals, their staff, and the Assistant Secretary of the geographic bureau concerned.[8]

The Open Forum Panel took issue with the instructions on dissent communcations set forth in the Department's circular telegram. In a November 23 memorandum to the Secretary, the Open Forum asked for an action office to be designated for handling dissent messages once they reached Washington. Otherwise there would be no guarantee of proper, discreet handling in the Department. The Open Forum requested the Secretary to designate the Open Forum Panel as the action office for handling dissent messages in view of the Panel's demonstrated ability since 1967 to handle expressions of dissent in a private and effective manner.[9]

Director General William O. Hall found merit in the Open Forum Panel's suggestion for designating an action officer for the staffing of dissent submissions from the field but did not see the Panel as the appropriate mechanism. He instead recommended S/PC be so designated because it was a permanently staffed office.[10]

On the basis of the Director General's recommendation, Secretary Rogers designated the Policy Coordination Staff as the action office for dissent messages and approved the distribution of dissent messages to the Chairman of the Open Forum Panel except in instances of high sensitivity.[11]

Responding to Criticisms of the Dissent Channel Mechanism

A New York Times article on November 21, 1971 reviewed recent Department actions to define a dissent channel and portrayed them as Department efforts to thwart dissent or at least curtail it. The following day the Department Spokesman, Charles Bray, provided to the press a more detailed explanation and comment on the Department's new procedures for the dissent channel. Bray sought to correct the misleading interpretations conveyed by the New York Times article. He read the text of the November 3 circular telegram on dissent messages. Bray stressed that any Foreign Service Officer was free to dissent from Department policy recommendations, and the Department was obliged to profide full consideration for such dissent. The transcript of Mr. Bray's remarks, together with a copy of the Management Reform Bulletin No. 9 of February 23, 1971, were sent to Senator Fulbright on December 17, 1971 in response to the Senator's letter of inquiry regarding the New York Times article of November 21.[12]

Developing Procedures for Using the Dissent Channel

The detailed procedures for submitting dissent messages within the Department and from posts abroad were carefully set forth in a Departmental Notice of May 3, 1972. The procedures for handling dissent channel messages were described as follows:

> "Dissent Channel messages and memoranda will be initially distributed only to the Secretary, the Director of the Planning and Coordination Staff (S/PC), and the Executive Secretary of the Department. Subsequent distribution will be made by the Director of Planning and Coordination, in consultation with the Secretary when appropriate, taking into consideration the message's sensitivity and the drafter's distribution desires. As indicated by State 60302, the Chairman of the Secretary's Open Forum Panel will receive a copy of dissent messages as this point, except when the Secretary personally decides the sensitivity of the message precludes such distribution. Normally, distribution will also be made to bureau offices with an interest.
>
> "The Director of Planning and Coordination will assign an action officer on his staff to respond to the dissent message or memoranda. A prompt acknowledgement will be sent to the officer in the case of telegrams and airgrams, indicating the distribution given the message within the Department. A follow-up message will be sent to the officer by the S/PC action officer after the merits of the dissenting view have been considered in the appropriate forum. This message will indicate the final disposition of the incoming dissent message."[13]

In October 1973 Secretary of State Henry Kissinger reaffirmed his support for the dissent channel in a circular message to all diplomatic and consular posts:

> "Free expression. I urge embassies, and officers within embassies who have differing views on major issues from those reported by their colleagues, to make them available to me in the special and controlled channels provided by the Department for that purpose. I expect that all officers in the Foreign Service and the Department will keep dissenting views in the channels provided for. We cannot operate the Government or the Department if dissent is taken to the press. I of course will look directly to the Ambassador for advice; but on fundamental questions I believe that dissenting views and opinions should be heard. This should help to produce a more open spirit of the kind I am trying to encourage between the

> Department and the Congress and the Department and the American public. If we cannot have it within the Department, we have little reason to expect it in our relations with those outside. Expression of differing views will of course be subject to the Ambassador's control; however, I will expect that when his views are submitted, opposing views and compromises will be noted as well."[14]

Following a discussion of the use of the dissent channel during an Open Forum meeting in 1974, the Department again issued a detailed description of the mechanism for in-house dissent on substantive foreign policy issues. Separate procedures were defined for State employees, for AID employees, and for ACDA employees.[15]

The Open Forum continued to monitor the dissent channel to ensure prompt and responsive replies to questions raised. By 1975 the channel seemed to have reached an annual use of 15 dissent messages. The Open Forum continued to feel that the messages, with few exceptions, were well thought out and responsible.[16]

1 Department of State Newsletter, August 1969, p. 1.

2 Ibid, February 1969, p. 1.

3 FAM Circular No. 539, October 14, 1969.

4 Published as Department of State Publication No. 8551 released December 1970.

5 Ibid, pp. 319-321.

6 Announced to the Department in Management Reform Bulletin No. 9, February 23, 1971.

7 FAMC No. 24, July 6, 1971

8 State telegram 201473, November 4, 1971.

9 Memorandum from The Secretary's Open Forum Panel, through Executive Secretary Theodore L. Eliot, Jr., to the Secretary (S/P Files).

10 Memorandum from William O. Hall to the Secretary, December 10, 1971 (S/P Files).

11 Memorandum from the Secretary to William I. Cargo, Director, S/PC, December 15, 1971 (S/P Files). Memorandum from the Secretary to Charles H. Thomas, Chairman, Secretary's Open Forum Panel, December 15, 1971 (S/P Files).

12 Letter from David Abshire to Senator Fulbright, December 17, 1971 (S/P Files).

13 The text of the Department Notice was printed in the Department of State Newsletter, May 1972, p. 12.

14 Circular State telegram 209503, October 24, 1973.

15 Department Notice, May 8, 1974. Department of State Newsletter, June 1974, pp. 8-9. The procedures were subsequently included in the Foreign Affairs Manual as 6 FAM 212.30.

16 Raymond F. Smith, "A Review of the Open Forum Panel," Department of State Newsletter, August-September 1975, pp. 18-18. Neil A. Boyer, "The Dissent Channel: Who's Using It?," Ibid, October 1976, pp. 28-29.

Senator BINGAMAN. Next we have a panel from the Center for Excellence in Government. We have three board members plus the executive director here today. The board members are Mr. Louis Gambaccini, Mr. Leonard Lieberman and Mr. Bill Lilley. Mark Abramson, who is the director of this organization, is also here with them. We welcome them and are looking forward to their testimony describing their activities and their views with regard to these Federal management issues, not only Federal management but State and local management issues with regard to government as well. So perhaps you folks have an order prearranged. Go right ahead.

TESTIMONY OF LOUIS J. GAMBACCINI, LEONARD LIEBERMAN, AND WILLIAM LILLEY III, MEMBERS OF THE BOARD OF TRUSTEES, THE CENTER FOR EXCELLENCE IN GOVERNMENT, ACCOMPANIED BY MARK A. ABRAMSON, DIRECTOR

Mr. GAMBACCINI. Thank you very much.

I am pleased to have my distinguished colleagues, two members of the Center's board of trustees, with me. Mr. Lieberman is chief executive officer of Supermarkets General Corp. of Woodbridge, NJ. Mr. Lilley is vice president, corporate affairs, CBS, Inc. of New York, NY. You did mention Mark Abramson, our very energetic and dedicated director of the Center for Excellence.

We are pleased to testify before you. We applaud your efforts in holding this set of hearings. The issue of management deserves increased national attention and the highlighting of it as a critical issue in the future of this country. We are also especially pleased that you have shown continuing interest in the work of the Center for Excellence.

You have before you a longer statement, which we will certainly not attempt to cover in great detail. We will very briefly highlight the essence of that statement. To the rear of that brochure are other descriptive materials that include the list of the Center's board of trustees, a description of the origin of the Center, and the plan for Center activities in the future.

The Center for Excellence was created a little over 1 year ago and was formed to serve as an outspoken advocate for excellence in Government and as a bridge between Government and other sectors of our society. Our board of trustees consists of leaders primarily from the corporate world, most of whom have served in one capacity or another in Government at various levels.

The Center grew out of a conviction on the part of many people who were concerned about the decline in confidence in Government in the public at large and who were persuaded that improving the quality of Government required a new coalition of people, a network, if you will, who were persuaded of the necessity of building a sense and a climate of excellence in Government. We are committed to working toward both consistently improved performance in Government and equally as important, a recognition by the public at large that, indeed, such performance is out there and is appreciated and recognized.

As a member of the National Academy of Public Administration and for some 28 years a member of the American Society for Public

Administration, I am pleased to join with my colleagues from those two organizations in testifying today. The work of the Center is certainly complementary and supplementary to the work of those two excellent organizations.

In the year since our Center was formed, we interviewed over 100 civic and corporate officials from all sectors of society and across the United States to probe their perceptions of what the problems of Government are today. It was a fascinating exercise. In fact, the detailed interviews make fascinating reading. We found varied viewpoints illuminating many aspects of the problem and collectively suggesting certain themes which we want to discuss with you. Most importantly, the central themes of the interviews suggest a vision of the future public manager which we would like to share with you today. This view will, hopefully, lead to specific actions that will, indeed, move toward continued improvement in the climate of excellence in Government.

Just as the quality of management and the future role of the manager is now being intensively scrutinized and forecasted in the private sector, similarly the public sector requires the same kind of close examination. Indeed, if our Nation is to sharpen its competitive edge both domestically and internationally, management in both sectors must undergo a renaissance in spirit and vitality.

Our testimony focuses on the roles and responsibilities of the public manager, because we feel that change in Government is contingent on creating a new climate, a new set of expectations and appropriate challenges and rewards for the public manager of the future.

I would like to ask Mr. Lieberman to very briefly highlight the first part of the longer statement and Mr. Lilley to complete that brief highlight.

Mr. LIEBERMAN. Mr. Chairman, I am very pleased to be here today with you. Our organization welcomed the opportunity to talk to you on the subject all of us feel strongly about; namely, improving Government. Specifically, I want to give you a sense of the four categories of views which we abstracted from our interviews we referred to and then to suggest our thoughts as to the implications of each of those views on the role of the public manager of tomorrow.

The first of those views we called "democracy is messy." That view argues that the performance of Government is acceptable but the inherent nature of our democratic Government creates an image of inefficiency and ineffectiveness. This view argues that while Government may perform at an acceptable level, Government looks messy because of the pluralistic nature of our society and diverse set of factors involved in our democratic political system.

Of course, we do not propose that our democratic system of Government be changed. Instead, our view of the role appropriate to this "democracy is messy" view makes us propose that public managers of tomorrow assume the responsibility for dealing more directly with the costs of democracy and begin to communicate those costs to the public. The public managers of tomorrow must better articulate and communicate those costs, the impact of equity, the impact of due process, equal opportunity and the other democratic values on the performance of Government.

The second view, which we call "Government takes a bum rap," argues that the Government performance is really much better than the public perceives it to be but that the problem is good performance is not communicated to the public. This view argues that negative information from a variety of sources—media, politicians, academics, Government oversight agencies—clearly overwhelms any positive information about Government performance and paints an unduly negative image of them.

This point of view implies that public managers of tomorrow should assume responsibility for defining Government programs and activities in terms understandable to the American people and then begin communicating program performance to the public. It should be the job of all public managers to communicate their programs and performance on a regular basis instead of only reacting to problems and to bad news. Public managers of tomorrow must be a proactive force.

A third view we identified we labeled the "Government must shape up" view. And this view argues that the performance of Government is not acceptable, that real performance problems do exist and that the public's low perception of Government performance is largely accurate. We were told that corrective actions are now necessary and long overdue.

This view argues that the public managers of tomorrow should assume responsibility for improving the performance of their programs. The implication is that the public managers of tomorrow must be creative, innovative individuals, willing to take risks and assume responsibility for improving performance.

In addition, the management systems of Government must support such innovative and creative public managers. This view implies that public managers of tomorrow should assume responsibility for providing continuity, leadership and effectively recruiting, retaining, and developing personnel.

The fourth view we identified we labeled, "the country must shape up" view. This view states that the problem is not just one of shaping up Government but is a problem, instead, of sectors working in an adversarial rather than cooperative mode. It is argued that we, as a nation, have lost our sense of national common purpose. As a solution it is argued that all sectors of society must begin working closer together to improve the performance of the Nation as a whole and not just the public sector.

This view, of course, implies a major expansion in the job of the public managers of tomorrow. Just as we suggested that they ought to assume responsibility for communicating their programs and activities to the public, they should also assume responsibility for developing new creative mechanisms in which all sectors of society can work together in a given arena to solve problems and develop effective activities.

The job of the public managers of the future must be to take societal goals often embodied in congressional enactment and translate those goals into manageable and ambitious programs.

I would like to close with a brief personal story. Several years ago, I was president of the board of trustees of the Newark Beth Israel Medical Center in New Jersey. We decided to expand the hospital and applied for various necessary Federal governmental approvals and specifically a key approval from the Department of Health, Education, and Welfare, as it then was. We received several bids for the construction job. This was about 10 years ago. It was during a time of high inflation and the construction bids were firm for only 90 days. The HEW regional office told us they had a backlog of 4 months and that, therefore, our application could not be processed within the standstill time of the contract as bid. We had a real problem. We decided to take our problem to our Senator in his ombudsman role. He intervened and worked out a solution with HEW. They hired a consultant to read our application and in actuality the approval was granted within the time needed, the project went forward and is today a great success.

The case has always bothered me. I can understand reasons why any organization can be backlogged and obviously proposals with respect to the grant of Federal guarantees, permission and this sort, ought to be done very carefully. And there may have been good reasons for the backlog. Nobody explained them to me or the other people involved in the hospital. I don't know if that key development of that key hospital in the key city in New Jersey, a very important part of that city that needed that sort of services, I don't know if that ever would have been built but for the fact we fortuitously had access to our Senator. I wondered then and I still wonder what happens to people without such access. The point of the story is I would have preferred to work with the type of public managers we described today. The public managers of the future will, I hope, better communicate the reasons for the delay I encountered and also might have been more creative with me in helping to find innovative solutions.

Thank you.

Senator BINGAMAN. Thank you very much.

Mr. Lilley, do you have testimony as well?

Mr. LILLEY. I have prepared testimony for the record, Senator; now I would like to make some remarks based basically on the testimony you heard earlier this morning and some of the questions you asked earlier this morning.

We stress in our testimony the need for the Congress to look out to the 1990's and to ask itself in that kind of timeframe what kind of changes need to be done to improve the quality of the Federal Government's operations and its management. My oral statement is based on my experience in the Federal Government throughout the decade of the 1970's, first at HUD, then at the Council on Wage and Price Stability and then at the House committee, a variety of places where I managed fairly large aggregates of people. My belief is that the Federal Government is changing in such a way that reform, substantial reform, is now doable when it was not doable before. What is happening is that the Federal Government's base functions are changing from grant disbursement and grant project management into much more of the kind of activity which you would describe as analytical, technical or managerial. In a way, this is a public sector analogue to the shift we have seen in the private sector from the smokestack goods-producing sector to the high-tech services sector. You are seeing the kind of similar changes in both private sector and public sector work forces—skills functions, and so forth.

There are a number of fallouts from this gradual shift which, I think, make possible the kind of legislative changes which could really change the system. You have less of a need now in the civil service for an incentive system and a regulatory structure and a legal structure which places primary value on consistency, detail, honesty, anticorruption—all the things that are valuable when you are giving out money or managing a project that gives out money. Now you have a much greater need in Government, just as you have in business, for people with analytical skills, advanced-education skills, management skills.

Another fallout is that the nature of the Federal Government service is changing and the kind of work done in governmental service increasingly is stimulating and interesting. Hence the kind of people with the appropriate skills that you would want to attract to the Federal Government now, unlike in the past, want to work in the Federal Government. As a result, many of the agencies, both dependent agencies and independent agencies, and committee staffs are flooded with a number of applications of highly skilled people who want to work in those areas. As a result, you do not need a legal system or bureaucratic incentive system that is structured toward personnel retention at all costs—the fear that people will leave and that we won't be able somehow to replace them. What you are really looking at is the opportunity to have a system where relatively younger people with strong educational training can move into entry level professional jobs, work in those jobs, move up for 4 or 5 years, keep moving up and when they reach a certain plateau, exit and move into other fields. That works in the private sector, it is not damaging there; it would not be damaging in the public sector.

I take considerable exception with the testimony of the previous witness, not our gentlemen, but with the previous witness that somehow it is a bad thing that Assistant Secretaries serve only 2 years or 23 months, whatever the famous number is. Well, those people, my case being one, we usually go into other forms of activity somewhere else in the Government. Most of the people in the private sector work in one job with one kind of job description for a few years and move up to another one. That is OK, it is fine. It is not bad for the private sector, not bad for the public sector.

I think particularly in the independent agencies where the shift is very clear now and where the number of people wanting to go into those is very large, that the opportunities are increasing for legislative activity on your part, the Congress' part, to begin to move Federal civil service rules, regulations, incentives much more into an analogous structure with the private sector as it exists today.

Thank you.

Senator BINGAMAN. Thank you very much.

Mark, do you have testimony?

Mr. ABRAMSON. Just a quick statement.

We would like to make one recommendation to you. We would like you to continue this set of hearings, bringing in people, talking to them. We would like you to look at three fundamental issues, if you decide to go on with the hearings, because I think you are in a good position to really serve as a focal point for this discussion.

I enjoyed the witnesses you had today and the ones you had last week because I think you are stimulating a real dialog on this issue. I think your committee is an appropriate location for such a dialog. We would like to recommend to you that you look at three issues. One is, what should be the role of Federal managers as we move into the 1990's. Again, we would like Congress to begin to look toward the future, because the things you decide today will affect the kind of people you are able to recruit and retain in the 1990's.

The second issue we recommend you look at is, what are the incentives you need to get the type of people who you want to fulfill the roles of the manager in the 1990's? We have described the type of manager that we would like to see in Government and the change in their roles and responsibility. The issue is, what do you need to attract them and retain them.

The third issue is really a general one about who is responsible for implementing a new environment in the Federal Government. Again, we feel as though there is going to be much change over the next 10 years. We think the role of the Federal Government will continue to change and we think there should also be a change in the environment. The issue is, who is responsible for that environment. We would like to see you ask that question to different agencies. One of the things I have been struck by in the Federal Government is that there is no one clearly assuming responsibility for the general environment. You heard from a chief executive officer and a director of personnel last week who assume responsibility for the culture of their organization. We would like to know who are their counterparts in the Federal Government? Does a Cabinet Secretary view himself as a chief executive officer concerned with the entire personnel and atmosphere of his organization? I would just like to end on that note and just ask you to continue this set of hearings next year. I think you are on the right track. I think you are asking the right questions. We are glad you invited us today.

Senator BINGAMAN. Thank you very much. I appreciate all of your testimony. For any of you who would want to respond, let me ask, if I could, the extent to which you have found in your interviews, the 100 interviews or so you have done, a real interest in greater attention to management issues in the Government, either on the part of governmental executives or in the private sector? Is this an issue that you believe people actually have some concern about or is this strictly an academic inquiry that is likely to lead nowhere?

Mr. GAMBACCINI. If I might, Senator, I say the interest is very considerable, indeed. While I think there is a tendency to turn off to some of the fads of management, I think there is now a pervasive feeling on the part of many people that there has to be a focus and a new climate of excellence that is innovative and creative. We need to transfer the best techniques, incentives, motivations, that work in any of our sectors.

Basic training courses and supervisory principles is not enough. I think there is a much simpler challenge to improving the environment. One of the most pervasive things that drives our entire Center is trying to break away from the negativism and criticism of Government and to turn it into an upbeat examination. We need to see Government in brighter hues. I previously mentioned the results of our interviews which I found fascinating. What was so fascinating was that there are several hundred different significant points, all of which are valid. So in response to your question, I think there is real interest in improving management in Government.

Senator BINGAMAN. Let me ask one other question for any of you who would like to respond. It seems to me there are a lot of publications out these days highlighting excellent performance in the private sector. The book "In Search of Excellence" is an example, as well as the book referred to at our hearing last week, "The One Hundred Best Companies to Work For in America." Both of these have the effect of giving recognition to managers and companies that have excelled.

Do you know of or have any plans for pursuing a similar effort to get recognition in the public sector where managers and agencies break out of the tradition and accomplish something worthwhile?

Mr. LILLEY. Senator, one thing the Federal Government is very good at is awarding people for meritorious service of all kinds. I think the public sector, maybe because it originally was not as equivalent in the pecuniary sense, got into this before the private sector. Most agencies give out a number of awards almost on a quarterly basis, and they are highly prized by the employees. I think the Federal Government does an excellent job of that.

Mr. GAMBACCINI. Senator, that is one of the major focuses of the Center. I am struck by the contrast of publicity attending the Academy awards and Government awards. When Government awards are given, they are given in the privacy of a chief executive's office or among fellow administrators. There just isn't enough public visibility. We have not made heroes in our schools of business and public administration of the managers who really excel. Most of our people know all the astronauts. Most of the people in the schools of business and public administration don't know who were the administrators who drove that program through very successfully in the 1960's. I suggest that is very much part of the fabric of developing the climate of excellence—recognizing, highlighting and transferring examples of excellence. We do plan to do that at the Center.

Senator BINGAMAN. Again, I appreciate your testimony today. I think you have obviously put a great deal of thought into these questions. I hope you also continue to pursue this. I think you are doing excellent work and appreciate your coming to testify.

[The prepared statement of The Center for Excellence in Government and the Center's working paper, "The Excellence in Government" Debate, follow:]

PREPARED STATEMENT

THE CENTER FOR EXCELLENCE IN GOVERNMENT

BEFORE THE

U.S. SENATE COMMITTEE ON GOVERNMENTAL AFFAIRS

SUBCOMMITTEE ON CIVIL SERVICE, POST OFFICE, AND GENERAL SERVICES

SEPTEMBER 26, 1984

Mr. Chairman and Members of this Committee:

We are pleased to testify before you today. We applaud your efforts in holding this set of hearings on avenues of improvement in the management of government. We feel strongly that the subject deserves increased attention and that hearings such as these are extremely valuable in making management an important issue.

The Center for Excellence in Government was created a little over one year ago. Since that time, we have spoken to over one hundred leaders from all sectors of society to probe their perception of the problems facing government today. We found a myriad of views, illuminating many aspects of the problem and, collectively, containing a vision of a new role for the public sector managers of the 1990s. It is that vision which we would like to share with you today.

The business, academic, and government leaders we spoke with agreed that there exists a widespread perception among many Americans that the performance of government is low, and that it is poorly managed. Many, however, argued that the perception was not accurate. We then asked these leaders to offer their own explanation as to why that perception exists. We would like to present to you the four major explanations which were given to us. Each view implies new roles and responsibilities for the public managers of the 1990s.

Just as the quality of management in the private sector is now being debated, the job of public sector managers should also now be examined and redefined. If our nation is to sharpen its competitive edge, management in both our public and private sectors must undergo a "renaissance" in spirit and vitality. Our testimony focuses on the roles and responsibilities of public managers because we feel that change in government is contingent on creating a new set of expectations for the public managers of the future. We have selected the 1990s as our target date for realizing this new role, because we believe it will take a number of years to define, agree on, and implement a new set of expectations.

SECTION I

TOWARD EXCELLENCE: FOUR VIEWS OF THE PROBLEM AND NEW ROLES FOR THE PUBLIC MANAGER

View Number One: "Democracy Is Messy"

> "I am a believer in the democratic system. This may require some inefficiency. You can get efficient government in a dictatorship. You have to balance inefficiency against the political process. You can become unrealistic if you don't recognize politics. Sometimes the process fosters inefficiency. I was involved in closing down some military bases one time. You ought to have heard all the screams to keep the bases open."
>
> A Business Executive

The first view argues that the performance of government is acceptable, but that the inherent nature of our democratic government often creates an image of inefficiency and ineffectiveness. It is argued that while government may perform at an acceptable level, government looks "messy" because of the pluralistic nature of our society and the diverse set of actors involved in our democratic political system. Advocates of this view maintain that the democratic values of equity, due process, equal opportunity, and openness frequently lead to a perception (and sometimes the reality) of a cumbersome government that is slow and laggard. Finally, it is argued that our democratic values lead us, as a nation, to take on entrenched and intractable problems that guarantee controversy and often lead to unfulfilled expectations.

We do not propose that our democratic system of government be changed. Instead, we propose that the public managers of the 1990s assume responsibility for dealing more directly with the "costs" of democracy and begin to communicate those "costs" to the public. The public managers of the 1990s must better articulate and communicate the impact of equity, due process, equal opportunity, and other democratic values on the performance of government. Citizens must better understand and begin to debate whether or not they are willing to pay the monetary and time costs associated with these democratic values. Both the public managers of the 1990s and our nation's political leadership must also articulate the nature of our open and multi-layered political process, which may often look "messy" and inefficient to those outside government.

In our interviews, we were constantly told that the public applies inappropriate and often unfair criteria in judging government performance. In response to this belief, a professional responsibility of the public managers of the 1990s should be to develop and advocate a better, more valid, method for judging public programs than now in place. In addition to the traditional criteria of efficiency and effectiveness, the list should also include political and other factors unique to public management: consensus building, assuring equity, due process, etc. This role will require that public managers be aware of, acknowledge, manage, and communicate the unique "costs" and "goals" associated with democracy.

View Number Two: "Government Takes a Bum Rap"

> "I think government managers get much criticism which they don't deserve. I think people who are in government are well meaning and work very hard. They work just as hard as do people in industry."
>
> A Chief Executive Officer
>
> "There are good people in government. Politicians rant and rave about them and this gives a bad impression to the public. It hides the successes which have occurred in government. We have made progress. The Food Stamp program has made a difference. But bad news makes the news and good news does not."
>
> A Former White House Staff Member

The second view argues that the government's performance is really much better than the public perceives it to be, but the problem is that good performance is not communicated to the public. It is argued that negative information from a variety of sources (the media, politicians, academics, and government oversight agencies) clearly overwhelms any positive information about government performance and paints an unduly negative image of government.

This point of view implies that public managers of the 1990s should assume responsibility for defining government programs and activities in terms understandable to the American people and then begin communicating program performance to the public. It should be the job of all public managers to communicate their program and its performance on a regular basis. Instead of only reacting to problems and "bad news," public managers of the 1990s must be a proactive force. At the same time, however, public managers must also begin a dialogue with the media to discuss the role of the press in covering government, and how information on program performance might be covered in the media.

Finally, as a "professional" group, public managers of the 1990s should make sure that this communication does occur. As a profession, it should develop its own standards of performance and work to find public programs which meet those criteria. Those programs and their managers should then be widely publicized as examples of excellence in the public sector. "Professional" endorsements would create incentives for good performance and provide role models for other government agencies and programs to emulate.

View Number Three: "Government Must Shape Up"

> "Government really has a major problem. If we state that the public environment has built into it major impediments to achieving efficiency, we are up against accepting it as the 'price of democracy.' I think that argument will no longer fly. When you are 40% of the economy, how much inefficiency and ineffectiveness can you afford?"
>
> A Business Executive

This view argues that the performance of government is not acceptable, that "real" performance problems do exist, and that the public's low perception of government performance is largely accurate. We were told that corrective actions are now necessary and long overdue.

Advocates of this view argue that the performance of both individuals and the system as a whole must improve. Some proponents of this view emphasize the disincentives for innovative management which now exist within the current "systems" of government. For example, it is argued that budget process is used soley as a resource allocation mechanism, without any attention given to its potential management role. Advocates of this view maintain that the net effect of these systems on the quality of government management is almost as important as the quality of the individual managers themselves.

This view argues that the public managers of the 1990s should assume responsibility for improving the performance of their programs. The implication is that the public managers of the 1990s must be creative, innovative individuals willing to take risks and assume responsibility for improving performance. In addition, the management systems of government must support such innovative and creative public managers. This view implies that public managers of the 1990s should assume responsibility for providing continuity, leadership, and effectively recruiting, retaining, and developing personnel. This includes assuming responsibility for examining and developing ways to reduce the current high turnover among federal managers.

The new role of the public managers of the 1990s also implies that they are members of a "profession" which assumes responsibility for the performance of their colleagues and their programs. Just as we have said that the public managers of the 1990s should publicize examples of excellence, they should also serve as watchdogs to point out and work with public programs which are not functioning well. New mechanisms need to be established which will help correct, not just criticize, programs which need improvement. Public managers of the 1990s should also assume responsibility for examining and developing improvements concerning the "systematic" problems of government. If the systems of government (management and otherwise) are not working, the public managers of the 1990s should speak out and work cooperatively with those managing such systems.

This vision of the public managers of the 1990s implies individuals who are on the technological forefront of their profession. The public managers of the 1990s must have the latest technologies (computers, as well as other technological innovations) at their command. If government performance is to be improved, the technological tools must be available. It is the job of public managers to define their technological needs and communicate those needs and the reasons for them to both the political environment and the public at large.

To realize this vision, existing incentives and current modes of operation in many government agencies need to change. The public manager of the 1990s should be encouraged and rewarded for taking risks, not penalized. Managers should be encouraged and rewarded for long-term planning, not short-term. The support systems of government (procurement, personnel, etc.) should be accountable to line managers and the managers of those support systems should be rewarded for their role in improving the performance of a line manager's program. Finally, the public manager of the 1990s should welcome competition, be it from inside or outside the government, as a challenge to sharpen both the mission of their organizations and improve their performance.

View Number Four: "The Country Must Shape Up"

> "...We do live in an age of special interests but something can be done...We need to build consensus around the need for change. I think we can bring it off, but it will require a partnership between business, media, government, and citizens. I am encouraged by the new set of leaders around the country."
>
> A Chief Executive Officer

The fourth view states that the problem is not just one of "shaping up" government, but is a problem instead of sectors working in an adversarial, rather than cooperative, mode. It is argued that we, as a nation, have lost our sense of national common purpose. As a solution, it is argued that all sectors of society must begin working closer together to improve the performance of the nation as a whole, not just the public sector.

This view implies an expansion in the job of the public managers of the 1990s. Just as the public managers of the 1990s should assume responsibility for communicating their programs and activities to the public, they should also assume responsibility for developing new creative mechanisms in which all sectors of society can work together in a given arena to solve problems and develop effective activities. The job of the public managers in the 1990s must be to take societal goals, often enacted by Congress, and translate those goals into manageable and ambitious programs. The job of the public managers must be to work with business, and other sectors of our society, in developing that translation. The public managers of the 1990s must be facilitators and must be viewed as partners willing and eager to work with all sectors of society. Adversarial relationships between sectors must be replaced with more cooperative relationships. Finally, the public managers of the 1990s must increase the sense among all citizens that everyone is a stakeholder in how well government performs.

SECTION II

TOWARD EXCELLENCE: CREATING A FORUM FOR DISCUSSING THE ROLE OF PUBLIC MANAGERS IN THE 1990S

We feel that these hearings represent the start of an exciting and important debate on the role of the public managers of the 1990s. We all know that the role of the federal government is now undergoing major change and will continue to undergo more change in the years ahead. The role of the public managers of the 1990s will not be the same as that of their counterparts of the 1970s or the 1980s. The question before us today is whether or not the federal government will start defining and creating a new set of roles and expectations for the public managers of the 1990s.

We believe, that at the federal level, your committee can provide an important forum for public debate and discussion about federal management. The task is not just one of finding specific solutions or new management techniques, but to foster a process in which management can be made an important topic for discussion and one in which issues can be debated and resolved.

The development and articulation of roles and responsibilities for public managers of the future can provide a framework for your committee to deal with the many issues before it -- federal pay, retirement, and other issues related to the general management of government. We believe that these specific issues cannot be adequately resolved until consensus is reached on the role of government managers. An equally important question is how the culture of government might be changed to foster improved performance and better support the public managers of the 1990s.

We would like to encourage your committee to continue holding hearings, such as the one today and last week, during the next session of Congress. If you decide to do so, we would like to encourage you to look at three fundamental issues. One issue is related to the role of the manager of the 1990s and the other two are related to key aspects of organizational culture.

ISSUE ONE. Should the role of the federal program manager change as move toward the 1990s?

Our testimony has argued that many of the negative public perceptions of government can be traced to activities which are now frequently viewed as outside the current responsibilities of public managers. One solution might be to enlarge the job of our public managers. Below we have summarized a narrow role and expanded role for public managers:

Narrow Role		Expanded Role
Defines responsibility as implementing rules and regulations, with no clear responsibility for consequences or results	**OR**	Works with all sectors of society to develop consensus on innovative solutions
Manages by crisis, responding to problems and issues surfaced by others	**OR**	Manages for continuous improvement in performance
Is a passive target of a number of critics (the press, advocacy groups, oversight agencies)	**OR**	Proactively communicates the costs and effectiveness of public programs in a way which inspires confidence

Your committee is now in position to provoke and manage a debate on this issue. Your committee can bring forth career public managers, non-career managers, representatives from the oversight agencies of government, and business and academic leaders to discuss which roles are appropriate or inappropriate.

By beginning to answer the question of the role of the public managers of the 1990s, we also begin to develop a clearer picture of the types of people that the government will need to attract in the years ahead. This leads naturally into a discussion of the working culture needed for attracting and retaining such people in the future.

ISSUE TWO. **Are current incentives (i.e., pay and working conditions) adequate and necessary for the roles that we may be asking government managers to assume in the 1990s?**

This issue can be illustrated by again comparing a narrow role for public managers, as contrasted with an expanded role:

Narrow Role		Expanded Role
Federal program management is a sufficiently secure, simple, narrowly defined job that can be paid lower salaries and still attract the people of the caliber needed	OR	The problem-solving, risk-taking, innovative, consensus building aspects of a federal manager's job are sufficient to warrant private sector level pay and incentive systems

The committee can ask advocates of each of these positions to come forward, armed with real examples of the roles and responsibilities of federal managers, to make their case. As a consequence of this debate, Congress and the Executive Branch might want to begin to differentiate among different types of management jobs in the federal government. Different types of management responsibilities might require different incentive packages.

ISSUE THREE. **Who is responsible for implementing a new working culture in government, which may be required by new roles and responsibilities for the public managers of the 1990s?**

If the debate over the roles and responsibilities of the public managers of the 1990s results in a consensus that no change is required, the current working culture of government will be adequate for the years ahead. If the debate, however, concludes that new roles and responsibilities are required, changes in the government's culture will be required. The question is then who is responsible for implementing change in this area.

We were struck by the testimony before this committee last week. You heard from a Chief Executive Officer and a Director of Personnel who both assumed responsibility for working toward a positive environment for their employees. Our question is who are their counterparts in the federal government? Do government personnel directors define their jobs in the same way as does Mr. Craven? Do cabinet officers define their job in the same way as does Mr. Simpson? Questions such as these might be posed to current cabinet officers and personnel directors in selected agencies across the government.

We were also impressed with the innovative use of quality circles at U. S. Army White Sands Missile Range. If it is determined that quality circles are effective and desirable, who in government today is responsible for spreading the use of quality circles?

What is the role of our government oversight agencies (Office of Personnel Management, General Services Administration, Office of Management and Budget, General Accounting Office) in diffusing innovations such as that now underway at White Sands? Your committee might also surface and publicize other innovative management activities underway in other parts of government.

In closing, we would like to emphasize how excited we are about the activities of your committee and this current set of hearings. There is clearly much constructive work which can be done on the subject of management in government. We look forward to continue to work with you in the future.

BIOGRAPHICAL STATEMENTS

CENTER BOARD MEMBERS TESTIFYING BEFORE COMMITTEE

Mr. Louis J. Gambaccini
The Port Authority of New York and New Jersey
New York, New York

Mr. Leonard Lieberman
Supermarkets General Corporation
Woodbridge, New Jersey

Mr. William Lilley III
CBS, Inc.
New York, New York

BIOGRAPHY

LOUIS J. GAMBACCINI

Louis J. Gambaccini currently serves as Assistant Executive Director/Director of Administration of The Port Authority of New York and New Jersey. He has served in that capacity since September 1981; in that position he advises the Executive Director on management and organization policy matters and oversees the activities of several departments including: Personnel; Management Services; General Services; Medical; Equal Opportunity and the Office of the Secretary.

Mr. Gambaccini served as Commissioner of the New Jersey Department of Transportation (NJDOT) from May 1978 to September 1981. In that capacity he supervised a professional, maintenance and operating staff of some 5,800 persons, and annual operations and capital budgets of some $750 million. As head of NJDOT, he was responsible for the State highway system and also served as Chairman of the statewide NJ TRANSIT Corporation, responsible for the provision of commuter rail services to 140,000 daily passengers and bus services, through subsidy programs, to over 600.000 bus riders.

During his tenure as Commissioner of Transportation, Mr. Gambaccini substantially reorganized and redirected the Transportation Department and its priorities; led the effort resulting in legislation to establish NJ TRANSIT; and led the successful effort for a half-billion dollar Transportation Bond Issue Referendum. He played major leadership roles in policy and legislative matters affecting transportation in several national organizations including The National Governors' Association (NGA) and The American Association of State Highway and Transportation Officials (AASHTO). He served for five years (1976-1981) as the Chairman of the Northeast Corridor Commuter Rail Authorities Committee.

Prior to his appointment as Commissioner, Mr. Gambaccini served with The Port Authority of New York and New Jersey for 22 years -- 12 as General Manager of that agency's bi-state rapid transit agency -- The Port Authority Trans-Hudson (PATH). In that capacity, he played a major role in guiding the rehabilitation of that interstate rapid transit system during the '60's and '70's.

Mr. Gambaccini is widely known in the United States and abroad as an active spokesman for and advocate of public transportation and has served in many leadership capacities in transit and transportation research organizations. He has been active in the American Public Transit Association (APTA) or its predecessor agencies since 1968 and served as APTA's Vic President/Government Affairs from 1976-1978. He has received numerous awards for his service in public transportation capacities.

Mr. Gambaccini is the Chairman of the 1983 National American Society for Public Administration (ASPA) Annual Conference and is a member of the National Academy of Public Administration (NAPA).

Mr. Gambaccini was born in 1931. He attended public schools in New Haven, Connecticut and Hollywood, Florida. He graduated from the University of Connecticut in 1952 with high honors with a major in Government. He received his Masters degree in Public Administration (MPA) in 1956 from the Maxwell School of Citizenship of Public Affairs, Syracuse University and did doctoral work at New York University.

He served as an Officer in the U.S. Army in the Korean War where he was awarded the Combat Infantry Badge and the Bronze Star Medal.

Mr. Gambaccini and his wife, the former Annette Marie Bush, reside in Ridgewood, New Jersey. They have six children - 4 daughters and 2 sons.

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BIOGRAPHICAL DATA - LEONARD LIEBERMAN
April 24, 1984

Mr. Lieberman was born in Elizabeth, New Jersey in January, 1929, and educated in the public schools there, graduating in 1946.

Mr. Lieberman received the Bachelor of Arts degree from Yale College in 1950, and the J.D. degree from Columbia Law School in 1953. He was a member of the 58th Advanced Management Program at the Harvard Business School in 1970.

Mr. Lieberman practiced law in New Jersey between 1953 and 1963. During that period, he functioned as counsel for both Supermarkets Operating Co. and General Super Markets, Inc.--the companies which merged to become Supermarkets General Corporation in 1966.

In 1963, Mr. Lieberman joined Supermarkets Operating Co. as its Vice President and General Counsel, and became a member of its Board of Directors. He became Senior Vice President of Supermarkets General Corporation in 1969 and a member of the Executive Committee of its Board of Directors. Mr. Lieberman served as Chairman of the Company's Pathmark Division from April, 1977 to September, 1979; he served as Chief Administrative and Financial Officer of the Company and was elected Executive Vice President in June, 1981. In February, 1982 Mr. Lieberman was elected President of Supermarkets General Corporation and in April, 1983 he was also elected Chief Executive Officer.

Mr. Lieberman had been a Director of Quantronix Corp. from 1969 to 1979. He was a member of the Board of Trustees of the Jewish Counseling and Service Agency of Essex County from 1969 to 1973; had been a Trustee of the Greater Newark Better Business Bureau and a Trustee of the Jewish Community Federation of Metropolitan New Jersey. From 1971-1982 he was a member of the Board of Trustees of the Newark Beth Israel Medical Center. He became its Treasurer in 1972 and served as its President from 1973 to 1978. He was elected Honorary President in 1982.

In June, 1981, Mr. Lieberman became a Commissioner of the New Jersey Public Broadcasting Authority, and became its Vice Chairman in 1983.

Mr. Lieberman became a member of the New Jersey Committee-Regional Plan Association and a Task Force Chairman of the Governor's Management Improvement Program in 1982.

Mr. Lieberman had served as one of two Co-Chairmen of the Joint Industry Committee on the Uniform Communication System for the Grocery Industry, an industry-wide group which worked on computer-to-computer communications among manufacturers, retailers and wholesalers in the grocery industry. He is currently serving as Co-Chairman of the Joint Industry Committee to Improve Shipping Container Design.

Mr. Lieberman was elected to the Council of Trustees of the American Friends of the Hebrew University in 1983; in May, 1983, he was elected an Associate Governor of Hebrew University and in April, 1984 he became a member of the Board of Governors of Hebrew University.

He was the recipient in June, 1977 of the Brandeis Humanitarian Award presented by the N. J. Chapter of the Zionist Organization of America; and was the recipient in January, 1984 of the Human Relations Award presented by the American Jewish Committee.

He resides in Secaucus, New Jersey, and has three grown daughters, Elizabeth Susan (Betsy), who resides in Seattle; Nancy Ellen and Anne Judith, residing in New York City.

WILLIAM LILLEY III

CBS Inc.
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Career highlights:

Vice President, Corporate Affairs (1981-present).

Vice President, Washington, CBS Inc. (1980-1981).

Vice President-Government Affairs, American Express Company (1978-1980).

Minority Staff Director, Committee on the Budget, U. S. House of Representatives (1977-1978).

Director (formerly Deputy Director) U. S. Council on Wage and Price Stability (1975-1977).

Deputy Assistant Secretary, U. S. Department of Housing and Urban Development (1973-1975).

Co-founder, editor and writer, National Journal (1969-1973).

Professor of Government, University of Virginia (1977) and Assistant Professor of History, Yale University (1962-1969).

Education:

M.A. and Ph.D. degrees from Yale
B.A. Magna Cum Laude from University of Pennsylvania

Born and educated in the Philadelphia area. Age 46.

Married to Eve Auchincloss, four children.

Publications:

New Technologies Affecting Radio & Television Broadcasting (1981) co-author

The Complex Puzzle of Rising Health Care Costs: Can the Private Sector Fit It Together? (1977) co-author

Federal Regulation of the Iron and Steel Industry (1977) co-author

National Condominium Study (1975) co-author

Housing in the Seventies: Report of the National Housing Policy Review (1973)

The New Federalism: Theory, Practice and Problems (1973) co-author

The Western Irrigation Movement, 1879-1902 (1969)

The Early Career of Francis G. Newlands, 1948-1897 (1965)

Awards:

Distinguished Service Award, President's Council on Wage and Price Stability, 1976.

Distinguished Service Award, U. S. Department of Housing and Urban Development, 1975.

Samuel F. B. Morse Research Fellowship for American Political and Economic History, 1967-1968.

George Washington Eggleston Prize for the most distinguished Ph.D. dissertation in Humanities Division, Yale Graduate School, 1965.

Woodrow Wilson Fellowship, 1959-1961.

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New School for Social Research
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Daniel M. Gaby
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Washington Post Writers Group
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Neill, Mullenholz, Shaw, and Seeger
Washington, D.C.

Alan M. Voorhees
President
Summit Enterprises, Inc.
Alexandria, Virginia

Keith Weikel
Group Vice President
American Medical International, Inc.
McLean, Virginia

APPENDIX A

THE CENTER FOR EXCELLENCE IN GOVERNMENT

HISTORY OF THE CENTER

The Center for Excellence in Government was incorporated on July 11, 1983 in Washington, D.C. The Center was formed by a group of people concerned about the future of government.

An initial grant to start the Center was given by Alan M. Voorhees of Alexandria, Virginia. Since that time, donations have been received from major corporations and individuals from across the nation.

The initial activity of the Center was to conduct over 100 interviews with distinguished national leaders to ascertain their views on government and suggested roles for The Center for Excellence in Government. The interviews were used to develop an action plan for the Center and to identify a network of Center advisers and participants.

The Center for Excellence in Government is a nonprofit, educational 501 (c) 3 organization.

PURPOSE OF THE CENTER

The Mission — To Promote Excellence in Government

The mission of the Center is to promote and support an environment conducive to achieving excellence in government. The Center serves as an **advocate** for excellence in government, as a **bridge** between sectors in our society, and as a **catalyst** to stimulate the necessary actions for improving and communicating government performance.

The roles of advocate, bridge, and catalyst were designed for the Center as a response to a serious problem that has emerged over the last decade — while the mission of government is getting more complex and more important to our national well-being, there is a perception that the government's ability to perform is low and a belief that the quality of government performance is declining. There is also a view that government's commitment to excellence is lacking. The Center for Excellence was created to respond to these problems.

The Center will accomplish its mission through a positive program of increasing public awareness of the role of government, involving the private sector to gain its expertise and assistance in promoting excellence, and improving government performance by identifying problems and developing solutions.

The Center Is an Advocate for Excellence in Government

Government today, by both its size and reach, has a tremendous impact on the nation's economic and social well-being. The business community is regulated and affected by many government programs and policies. Government is being asked to solve many existing problems and face a vast array of new challenges as they arise.

The Center believes that many citizens recognize the important roles that government must play. If government is to fulfill adequately its current and future responsibilities, then it must perform at the highest possible level. Excellence should be the standard for government performance and it should be expected, supported, and encouraged.

Excellence means public programs managed aggressively for positive results. Excellence means creative civil servants encouraged to achieve high performance. Excellence means a clear presentation of issues that generates a constructive and fair debate over policy. Today we are moving away from these conditions.

The Center Is A Bridge Between Government and Other Sectors

The Center works closely with business, media, public interest groups, universities, and citizens to promote excellence in government. The Center places special emphasis on working with the business community. The Center brings together private sector leaders to work with public managers to improve and communicate government performance. Increased interaction both improves understanding between business and government leaders and provides an opportunity for the two groups to exchange information about effective management practices.

The Center believes that there is much to be gained by the two managerial forces in our society working closer together. The business community has long had its heroes and heroic corporations. Individuals are noted for their accomplishments and are singled out as role models for younger managers. Corporations with consistently high performance are put forward as examples to be studied and emulated. The business community has shaped the public's view of what constitutes excellence in a corporation. A comparable tradition has not been developed in government. Distinguished individuals and high performing government organizations are seldom publicly recognized. Models of excellence in government are not identified or promoted. The Center will identify and highlight such examples.

To develop a tradition of government excellence, the business community will have to play an aggressive role. The business community has the independence, training, and experience required to get the job done. The business community has the tradition of performance management and the perspective required to work on the difficult conceptual problems of describing and helping to improve government performance. Standards and examples of government excellence endorsed by the business community will carry considerable weight with the public. Participation by the private sector, both as board members and sponsors, also adds credibility to the Center in that the promotion of activities encouraging excellence in public service is not viewed as overly self-serving.

The Center is a Catalyst to Stimulate Action

There are nearly 200 public interest organizations with a mission related to improving or promoting better government. With so much activity and similarity of purpose, why has progress been limited?

Public interest organizations that are successful at fund raising are usually left with special purpose, and often specialized agendas. These agendas do not directly address the problem of declining public confidence and are usually a series of independent one-shot efforts which may achieve results for the special interest of that particular community but not affect public perceptions about government broadly. These activities do little to change public attitudes or bring about reform of government. Competition among groups also keeps natural allies apart. Each organization focuses on an element of the problem rather than being aligned as an effective team that can coalesce to improve the quality of government across the board and speak for public service.

The Center is a catalyst that supports, amplifies, and synthesizes the work of existing organizations to have a cumulative effect which is beyond the reach of any one group or organization.

THE CENTER AT WORK

The Directors of the Center are Spokespersons for Excellence

The Center for Excellence in Government is guided by a non-partisan Board of Directors composed of distinguished national leaders. Board members have been selected on the basis of accomplishments which exemplify excellence. The Board provides the independence and the credibility needed to raise and address questions about excellence in government. All Board members are volunteers, with a demonstrated commitment to improved governance and effective government.

In its advocacy role for excellence, the Board serves as the vehicle for bringing to the attention of elected officials and the public, cases of high government achievement. *The Center informs and educates the public and elected officials on what government can achieve and the conditions necessary to produce excellence in government.* The Board also promotes governmental reform when appropriate.

The Board oversees Center activities in three areas, each of which is discussed below.

THE CENTER'S ACTION PLAN

1. Identify and Communicate Excellence

The Center has three objectives for this area. First, to communicate to the public that there are governmental programs which are working well. Second, to recognize programs with high levels of performance and provide role models for other government organizations to emulate. Third, to learn from high performing organizations and disseminate information about effective practices and environments supportive to excellence in government.

The following activities in this area are now being developed:

- A **Task Force on Excellence** to develop criteria for judging and assessing the determinates of excellence in the public sector.
- A **Case Study Program** to document and disseminate examples of excellence in government.
- A public sector version of **In Search of Excellence.**
- **Activities to communicate** examples of excellence in government:
  - — Television Programs
  - — Editorial Kits
  - — Lecture Series
  - — Speakers Bureau
  - — Briefings/Information Packages for political candidates, political parties, and interest groups

2. Develop and Support Improvements

While simultaneously identifying and communicating good performance, the Center will also develop and support improvements necessary to improve government performance. The objective of this area is to identify impediments now standing in the way of achieving and communicating excellence in government. To accomplish this objective, the Center will bring together concerned individuals to work on removing impediments in order to improve and communicate government performance. The Center will assume responsibility for coordinating the actions necessary to bring about change in a given problem area.

The following activities in this area are now being developed:

- **Problem-solving seminars** to develop improvements in government. Issues to be examined include:
  - Strategic Planning: How Can Business Practices be Adapted to Government?
  - Developing Managers: How Can It Best Be Done?
  - Innovative Management: What Incentives are Necessary to Encourage Managerial Innovation and Risk-taking?

The Conference Board and the U.S. Office of Personnel Management will serve as resources for the seminars.

3. Create a Network to Promote Excellence

An important role of the Center is to build a network and constituency for promoting an environment conducive to achieving excellence in government. A major objective of the Center is to enlarge the number of individuals working to promote excellence in government. Since its creation, the Center has identified and contacted many individuals from across the nation who are concerned about the future of government and willing to work with the Center to improve and communicate government performance. The Center is working with other organizations also concerned with improving government.

To accomplish the above objectives, the Center will:

- Create an **Advisory Council** to assist the Center in developing the concept of government excellence and in planning and conducting activities.
- Publish a **Newsletter** to communicate Center and related activities to a wide audience.
- Serve as a **Clearinghouse** to collect examples of excellence, quickly organize the information into useful and clear materials, and disseminate the materials.
- Sponsor **Conferences** to bring people together in order to increase awareness on issues, problems, and solutions related to excellence in government.

4. The National Conference on Excellence in Government

In Spring 1985, The Center will convene a National Conference on Excellence in Government. The Conference will bring together national leaders to:

- **Focus** attention on the issue of excellence in government.
- **Clarify** issues associated with excellence in government.
- **Develop** solutions and set an action agenda.

APPENDIX B
THE "EXCELLENCE IN GOVERNMENT" DEBATE

Introduction

The Center for Excellence in Government was created in July 1983. The first major task undertaken by the Center was to find out how leaders from business, government, and universities viewed the public sector. How did these opinion leaders rate government performance? What did they think of public employees? It was clear that the Center had to develop a good understanding of how national leaders viewed the issues and problems surrounding government. Such an understanding was essential to the Center in developing its mission and future activities.

In carrying out its first task, the Director of The Center spoke with over one hundred individuals from all over the nation. A formal survey instrument was not used. Instead, informal conversations on the subject of government were held. As part of this process, individuals were identified who feel strongly about the need to improve government and are willing to work toward that goal. Specific issues were also identified for the Center to examine.

Excerpts from those conversations are contained in a volume called **The "Excellence In Government" Debate**, which is available from the Center. The excerpts have been organized around different views of the problem.

There was unanimous agreement among those interviewed that there is a wide-spread perception among the public that government's ability to perform is low. There was disagreement, however, on the accuracy of that perception. Consensus did exist on the belief that the quality of government performance appears to be declining and that government's commitment to excellence is lacking.

Consensus among those interviewed broke down when they were asked their views on why the perception of low government performance exists. In explaining this perception, an individual's response tended to fall into one of four arguments, each of which is discussed below.

The "Democracy Is Messy" Argument

This point of view argues that the inherent nature of government creates some inefficiency and ineffectiveness. It is argued that some inefficiency is "the price of democracy." This group feels that the public applies excessively high performance standards for government, which does not take into account the "unique characteristics" of the public sector. This view is best summed in the following quote from a business executive:

> "I am a believer in the democratic system. This may require some inefficiency. You can get efficient government in a dictatorship. You have to balance inefficiency against the political process. You can become unrealistic if you don't recognize politics. Sometimes the process fosters inefficiency. I was involved in closing down some military bases one time. You ought to have heard all the screams to keep the bases open."

The following points were also made by individuals who hold this point of view:

- Government is inherently unpopular because it constantly deals with public problems and controversy.
- Government is often inefficient because of equity, due process, and political considerations.
- Our political process results in overpromising, which leads to unfulfilled expectations among the public.
- The openness of our political system makes government often appear inefficient.
- The special interest nature of our political system prevents the government from getting rid of any of its programs.
- The American system of three branches of government creates inefficiency and "messiness."
- Rather than take into account the unique characteristics of government (Propositions 1-6 above), the public applies inappropriate private sector criteria in judging government.

The "Government Takes a Bum Rap" Argument

This point of view argues that the performance of government is really much higher than the public realizes. It is argued that criticism of government and public employees tends to be unfair and often unjustified. In sum, it is argued that the public gets a misleading picture of government performance. This point of view is summed up by quotes from two Chief Executive Officers:

> "I have been impressed with government employees. They are not a bunch of dunderheads. I believe you have deadweights in any organization. It happens in both government and business."

> "I think government managers get much criticism which they don't deserve. I think people who are in government are well meaning and work like hell. They work just as hard as do people in industry."

The following points were also made by individuals who hold this point of view:

- The public does not recognize the high caliber of public servants in America.
- The public does not receive information about programs which are performing well.
- Public attitudes toward government would improve if citizens had more direct contact with public employees.
- Government itself bears part of the responsibility for its image because the public sector does not communicate very well to the public at large.
- Negative information about government is communicated by program evaluators and social scientists.
- Negative information about government is constantly communicated by politicians.
- Negative information about government is communicated and amplified by the media.

The "Government Must Shape Up" Argument

This point of view argues that "real" performance problems do exist in government and they have to be corrected. In many ways, proponents of this view argue that the country can no longer afford the "price of democracy" and that corrective action is now necessary and overdue. This view is summed up by the following quote from a business executive:

> "Government really has a major problem. If we state that the public environment has built into it major impediments to achieving efficiency, we are up against accepting it as the 'price of democracy.' I think that argument will no longer fly. The public sector is now approaching 40% of the economy. When you are 40% of the economy, how much efficiency and effectiveness can you afford..."

The following points were also made by individuals who hold this point of view:

- The nation can no longer afford the "price of democracy" argument as government performance must be improved.
- To improve performance, the government should do more strategic planning.
- To improve performance, the government should place more emphasis on developing and recognizing its personnel.
- To improve performance, the government needs to provide more continuity and improve the relationship between career and non-career executives.
- Civil servants need to be innovative, creative, accountable and assume more responsibility for improving government performance.
- To maintain a capable work force, government needs an improved system of compensation and rewards for its employees.

The "Country Must Shape Up" Argument

This point of view argues the basic problem of government lies in the attitudes and spirit of the nation itself. It is argued that a renewed sense of national common purpose and a positive attitude toward public service is needed. This view argues that all sectors of society must work together to improve the performance of the nation as a whole, not just government. This view is summed by the following quotes from two Chief Executive Officers:

> "We have lost much of the attraction to government which was apparent in the 1960s. We have lost that enthusiasm. During the 1960s, we felt that government could get things done. We don't enjoy the same situation today. We need to restore that feeling."
>
> "...We do live in an age of special interests but something can be done...We need to build consensus around the need for change. I think we can bring it off but it will require a partnership between business, media, government, and citizens. I am encouraged by the new set of leaders around the country."

The following points were also made by individuals who hold this point of view:

- In order for government to perform well, the nation needs to reestablish a sense of enthusiasm toward government and restore a positive attitude toward public service.
- In order for society to perform well, a sense of national common purpose needs to be reestablished and all sectors of society need to work together toward that common purpose.
- To reestablish that common purpose, business and government leaders need to work together and begin to better understand each other.
- The nation's political process needs to become "less" political.

Conclusion

The "debate" over "Excellence in Government" is an exciting one because all the above "arguments" are correct. There are no wrong answers or views. The "arguments" are also not mutually exclusive. Many of those interviewed presented two or three of the above points of view in discussing why government is perceived as performing poorly. The interviews clearly point out the complexity of the problem. There are no simple explanations nor simple answers. The problems of government are complex and need to be addressed on multiple fronts.

The lack of consensus on the causes of a low perception of government performance should not be disheartening. The multiple views provide an opportunity for much rich discussion across viewpoints. An understanding of the complexity of the problem is an important first step in beginning to work on improving the situation and creating a climate supportive of excellence in government.

The insights gained in the interviews have provided a road map for The Center for Excellence in Government to begin working toward excellence in government.

Center Working Paper

The "Excellence in Government" Debate

Edited by

Mark A. Abramson, Director
The Center for Excellence in Government

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INTRODUCTION

THE "EXCELLENCE IN GOVERNMENT" DEBATE

The Center for Excellence in Government was created in July 1983. The first major task undertaken by the Center was to find out how leaders from business, government, and universities viewed the public sector. How did these opinion leaders rate government performance? What did they think of public employees? It was clear that the Center had to develop a good understanding of how national leaders viewed the issues and problems surrounding government. Such an understanding was essential to the Center in developing its mission and future activities.

In carrying out its first task, the Director of The Center spoke with over one hundred individuals from all over the nation. A formal survey instrument was not used. Instead, informal conversations on the subject of government were held. Excerpts from those conversations are presented in this volume. The excerpts have been organized around different views of the problem. A list of those interviewed is presented in the Appendix.

There was unanimous agreement among those interviewed that there is a wide-spread perception among the public that government's ability to perform is low. There was disagreement, however, on the accuracy of that perception. Consensus also existed on the belief that the quality of government performance appears to be declining and that government's commitment to excellence is lacking.

Consensus among those interviewed broke down when they were asked their views on why the perception of low government performance exists. In explaining this perception, an individual's response tended to fall into one of four arguments:

> **The "Democracy is Messy" Argument:** This point of view argues that the inherent nature of government creates some inefficiency and ineffectiveness. It is argued that some inefficiency is "the price of democracy." This group feels that the public applies excessively high performance standards for government, which does not take into account the "unique characteristics" of the public sector.

The "Government Takes a Bum Rap" Argument: This point of view argues that the performance of government is really much higher than the public realizes. It is argued that criticism of government and public employees tend to be unfair and often unjustified. In sum, it is argued that the public gets a misleading picture of government performance.

The "Government Must Shape Up" Argument: This point of view argues that "real" performance problems do exist in government and they have to be corrected. In many ways, proponents of this view argue that the country can no longer afford the "price of democracy" and that corrective action is now necessary and overdue.

The "Country Must Shape Up" Argument: This point of view argues the basic problem of government lies in the attitudes and spirit of the nation itself. It is argued that a renewed sense of national common purpose and a positive attitude toward public service is needed. This view argues that all sectors of society must work together to improve the performance of the nation as a whole, not just government.

The "debate" over "Excellence in Government" is exciting because all the above "arguments" are correct. There are no wrong answers or views. The "arguments" are also not mutually exclusive. Many of those interviewed presented two or three of the above points of view in discussing why government is perceived as performing poorly. The interviews clearly point out the complexity of the problem. There are no simple explanations nor simple answers. The problems of government are complex and need to be addressed on multiple fronts.

The lack of consensus on the causes of a low perception of government performance should not be disheartening. The multiple views provide an opportunity for much rich discussion across viewpoints. An understanding of the complexity of the problem is an important first step in beginning to work on improving the situation and creating a climate supportive of excellence in government.

The insights gained in the interviews have provided a road map for The Center for Excellence in Government to begin working toward excellence in government. This volume is being widely circulated to begin a nation-wide discussion of excellence in government. The Center would like to thank the many individuals across the nation who consented to be interviewed.

THE "EXCELLENCE IN GOVERNMENT" DEBATE

SECTION I. THE "DEMOCRACY IS MESSY" ARGUMENT

Proposition I. 1.: Government is inherently unpopular because it constantly deals with public problems and controversy.

Proposition I. 2.: Government is often inefficient because of equity, due process, and political considerations.

Proposition I. 3.: Our political process results in overpromising, which leads to unfulfilled expectations among the public.

Proposition I. 4.: The openness of our political system makes government often appear inefficient.

Proposition I. 5.: The special interest nature of our political system prevents the government from getting rid of any of its programs.

Proposition I. 6.: The American system of three branches of government creates inefficiency and "messiness."

Proposition I. 7.: Rather than take into account the unique characteristics of government (Propositions 1-6 above), the public applies inappropriate private sector criteria in judging government.

SECTION II. THE "GOVERNMENT TAKES A BUM RAP" ARGUMENT

Proposition II. 1.: The public does not recognize the high caliber of public servants in America.

Proposition II. 2.: The public does not receive information about programs which are performing well.

Proposition II. 3.: Public attitudes toward government would improve if citizens had more direct contact with public employees.

Proposition II. 4.: Government itself bears part of the responsibility for their image because the public sector does not communicate very well to the public at large.

Proposition II. 5.: Negative information about government is communicated by program evaluators and social scientist.

Proposition II. 6.: Negative information about government is constantly communicated by politicians.

Proposition II. 7.: Negative information about government is communicated and amplified by the media.

SECTION III. THE "GOVERNMENT MUST SHAPE UP" ARGUMENT

Proposition III. 1.: The nation can no longer afford the "price of democracy" argument as government performance must be improved.

Proposition III. 2.: To improve performance, the government should do more strategic planning.

Proposition III. 3.: To improve performance, the government should place more emphasis on developing and recognizing its personnel.

Proposition III. 4.: To improve performance, the government needs to provide more continuity and improve the relationship between career and non-career executives.

Proposition III. 5.: Civil servants need to be innovative, creative, accountable and assume more responsibility for improving government performance.

Proposition III. 6.: To maintain a capable work force, government needs an improved system of compensation and rewards for its employees.

SECTION IV. THE "NATION MUST SHAPE UP" ARGUMENT

Proposition IV. 1.: In order for government to perform well, the nation needs to reestablish a sense of enthusiasm toward government and restore a positive attitude toward public service.

Proposition IV. 2.: In order for society to perform well, a sense of national common purpose needs to be reestablished and all sectors of society need to work together toward that common purpose.

Proposition IV. 3.: To reestablish that common purpose, business and government leaders need to work together and begin to better understand each other.

Proposition IV. 4.: The nation's political process needs to become "less" political.

SECTION I

THE "DEMOCRACY IS MESSY" ARGUMENT

PROPOSITION I. 1.:

Government is inherently unpopular because it constantly deals with public problems and controversy.

A University Official

"Much of the difficulty that government has with its image is inherent in what government does. Unless government suddenly becomes a profit-making operation, it may be difficult for government to change its image. As long as government does the work it does: the dirty work of our society, activities which are unpopular but necessary and tries to meet the demands of our diverse society, it is going to be unpopular."

"There is an inherent problem with government. Managing the nation's welfare system is no fun. How do you make public welfare popular? For many public problems, there are no simple or real answers. Because of this, government becomes the whipping boy for people's perception."

"One must remember that the job of government is to moderate the cross currents of our society. Business can do pretty much whatever it wants to. But government has to deal with everything. Look at our public schools. They can't get rid of troublesome kids. They have to deal with them."

A University Official

"You have to realize that government is doing things which nobody else wants to do. Government's job is to change the nature of society. Many people resent change but that is the job of government."

A Local Government Offical

"The simple fact is that there is often no real success in government. You never really succeed. You are constantly being challenged to make things better. The job never really ends. It is like always shaping a flux. You are often defining the undefinable. Government is a never ending process. Again, it is a constant struggle."

A Federal Government Offical

"The public and the business community need to understand that government is not a business. In fact, it is a non-business. The government does things because business cannot do them. Business has to learn this fact."

"There is no simple criteria for success in government. In business, they have profits. We don't have that in the public sector. We have to deal with ambiguous programs that fit the needs of Senator Mondale (when he was in the Senate) and Senator Long. We deal with messy and controversial problems without a bottom line."

Former Cabinet Officer

"The problem is that government has grown in the last 25 years but people do not have a sense that better services are being provided. Problems such as education and crime remain. Many of the problems of society fall clearly in the purview of government and people blame government for them. People also complain that our taxes have gone up. All this puts the focus on government and it comes at a time of general negativism in our society."

PROPOSITION I. 2.:

Government is often inefficient because of equity, due process, and political considerations.

A University Official

"You have to realize that government takes on problems for which the market place has failed. Government is also concerned about equity. Political decisions are not always economically efficient. Many public programs reflect the failure of the private sector to do anything about a problem or issue. You can't apply private sector criteria to government. Part of a program's success is always political."

"A problem with government today is that everybody is always looking for solutions. Our society is fixed on winners and losers, successes and failures. The public doesn't understand that public problems and democratic government simply doesn't lend itself to permanent solutions. Instead, government and public policy is all about reasonable adjustments.

A Former Federal Career Official

"Government is not just efficiency and effectiveness. Why do we have Saturday home mail delivery? It really can't be justified but we (society) have come to expect it. Why do we have all those small local post offices. You don't need such local services, but they do something important. You could centralize all those small post offices which would be more efficient and effective. But our society is willing to pay for that inefficiency."

A Business Executive/Former Government Official

"I am a believer in the democratic system. This may require some inefficiency. You can get an efficient government in a dictatorship. You have to balance inefficiency against the political process. You can become unrealistic if you don't recognize politics. Sometimes the process fosters inefficiency. I was involved in closing down some military bases one time. You ought to have heard all the screams to keep the bases open."

"The value of our democratic system is that it makes you go through the gauntlet. Things get watered down. Everything is a compromise. In a dictatorship, only one person makes a decision. You have to go through Congress. That is democracy."

The Head of a Local Transit Authority

"I can't run my transit authority like a business. The public doesn't understand the impact of politics, bureaucatic regulation, and the importance of being responsive to the public. Many things are out of our control. We have very old physical plants and expensive labor contracts. We have to live with these conditions in the public sector."

"Another example is competitive bidding. In many instances, the savings stemming from competitive bidding are illusionary. It drives us toward a large legal staff and we become a target for claims and law suits. Business doesn't have to do this."

A Former Federal Official

"People have to understand that government has many non-bottom line activities. Government was established to provide liberty, equality, and other democratic values. It is not necessarily the same set of standards which you would apply to the private sector. Look at the issue of equal opportunity. There is a larger moral issue there. You may not always be able to do things in the cheapest or most cost effective way. I don't mean that government shouldn't be efficient but we just have to make distinctions between the public sector and the private sector and the nature of why they do things differently."

PROPOSITION I. 3.:

Our political process results in overpromising, which leads to unfulfilled expectations among the public.

A University Official

"Government has simply overpromised. Government has created too many unrealistic notions about success in the public sector. Public programs just don't live up to the political rhetoric that got them started."

A Federal Official

"A friend of mine believes that public servants today are being victimized by the failure of government to live up to all the promises it made during the 1960s. Public servants are now the fall guy for the government not delivering. The government overpromised in the poverty program and didn't quite know what they were doing--myself included. Somehow the bureaucracts are now getting blamed for the fouling up."

A Chief Executive Officer

"Our expectations for government have gone astray. We have asked government to solve all of our problems. This has created the impression of throwing money at problems."

A Former Career Government Offical

"We in government may have oversold our capacity to deliver. In some ways, our capacity to conceptualize exceeds our capacity to execute. I am afraid that we may have raised false high expectations."

A University Professor

"We may have been asking government to do much. We have been asking government to many things which are impossible. And we have been asking government to do more and more things that it doesn't do well. We need to sit back and review what government is doing."

PROPOSITION I. 4.:

The openness of our political system makes government often appear inefficient.

A High Ranking Local Official

"I have 30,000 people working for me in the Executive Branch of this city. Some of them are going to screw up. The private sector can often bury their mistakes but we can't do that in the public sector. The public sector is just too visible. Mistakes are so visible that it often makes us look inefficient."

The Head of a Local Transit Authority

"We are just so visible to the public. We may have 210 out of 215 buses on time but the public is going to focus on the buses not on time. If a citizen is five minutes late to work on a rainy day, they are going to blame it on the transit authority. The public has very high expectations for transportation in this city and we are very visible. Transportation is also an on-going service. It touches people closely."

"The high visibility of government also makes it an easy target for criticisms. This isn't true in the private sector. Government is simply more accessible than business. Freedom of information had made a difference. We show people our records. We are always in the public view. It is easier to target government for attention."

A Chief Executive Officer

"People see all the faults of government. They read about public boondoggles. They see in the newspaper about the mayor's nephew who got a public job. Everyone in public service gets tainted by the bad examples. Confidence in government goes down as a result."

A High Ranking Local Official

"A problem is that the public watches public spending closely. There is a feeling that people don't want 'my money' spent on welfare."

PROPOSITION I. 5.:

The special interest nature of our political system prevents the government from getting rid of any of its programs.

A Chief Executive Officer

"The environment is the problem. It isn't the people. There are no profit constraints in government. Programs get started for all the wrong reasons. And then it becomes virtually impossible to stop them. Even in business it is sometimes hard to stop programs but we do. The bottom line does win out. But in government, it doesn't."

"Government doesn't have anything like the bottom line. Small segments of our society can get programs going. They can stop programs from being cut out. Their impact is disproportionate to their size. And sometimes, people in the programs join in and help them keep the program going. Executive branch programs just live way beyond their time. And even the current President doesn't seem to be able to do much about it."

An Business Executive

"The thing that gets me about government is that some agencies do nothing but persist. The names may change but I can find them. Partly they persist because of Congress. It doesn't matter who gets in office, they continue. Maybe they don't harm anybody and don't make any difference, but it bothers me."

A Business Executive

"The thing that bugs businessmen is that they don't see government cutting back. Many business fail during times of recessions and others cut back. They wonder why government isn't able to do the same thing."

A Chief Executive Officer

"The federal government seems to suffer from the 'once in, never out' problem. Federal employees and federal programs often seem immovable. Civil servants seem to be able to outlive the cycles."

A Chief Executive Officer

"I just get the impression that there are too many people in government. I go testify before Congress and I see all those staff hanging around and not doing much. I have no idea who they manage. I am just struck by the large number of people in the Department of Agriculture. They have almost one person for every three farmers."

PROPOSITION I. 6.:

The American system of three branches of government creates some inefficiency and "messiness."

A Chief Executive Officer

"A big problem is that the Executive Branch was organized 150 years ago. What has happened since is that agencies like HUD became collections of agencies that were there before. Turf protection begins to build up and then Congress gets involved. It is ridiculous to have seven congressional committees have jurisdiction over one agency. You have that with the AFDC program. That is a joke. You don't need seven people looking at the same thing."

"I think government is getting a bad image because the public sees this lack of focus. You have 400 to 500 Congressmen adding to the problem. The government can't pick and choose what it wants to work on. Congressmen add their own pet projects. One Congressman can get a law enacted to do something."

A Former Federal Offical

"Part of the problem is with Congress. It seems to be a relatively recent situation in which Congress and the Executive Branch are at each other's throats. Why does the Secretary of Energy have to deal with 10 to 15 committees and subcommittees? I ran the seventh largest agency in government and I only had to deal with two committees. I also see too many fights going on. Many of these fights are politically motivated which get us nowhere."

A Business Executive

"One of the big things that intrudes into government is politics. You have the clash of differences in society. Politics has to balance the different values of competing groups. And then government has to deal with the competition between groups within government -- the Executive branch versus Congress. It's hard enough to manage within the executive branch without congress always getting involved."

PROPOSITION I. 7.:

Rather than take into account the unique characteristics of government (Propositions 1-6 above), the public applies inappropriate private sector criteria in judging government.

A Chief Executive Officer

"I realize that you often can't run government like a business. You can't run a hospital like a business. You can't say that emergency rooms must turn a profit. Government has so many diverse missions like that."

"I'm not sure that I would like government to report every quarter like a business. In business, it is good discipline. It keeps us on our toes. There is something about having to go public every 13 weeks. It prevents us from getting too soggy. We can't sit and hide for very long. In government, you may not want to open up an agency's operations for debate every 13 weeks. You clearly don't want to debate an agency's mission every quarter. It might upset all the compromises that have been made to get an agency or program started in the first place."

A Business Executive/Former Government Official

"In government, it is hard to manage your own affairs. You can't pull behind the walls as you can in business. In business, you can get by as long as you do three things: (1) comply with the law; (2) make an acceptable profit which doesn't even have to be all that large; and (3) respond to requests from your board of directors. If you do those three things, you can do pretty much as you please."

"In government, it is different. There are so many constraints in government. You have politics always intruding. Even if you want to make a simple change in your program to improve it, you can't. You have Congress and politics always intervening. You are simply not the captain of your own program. You can't overlook these differences because you then have to manage differently. Government often has unrealistic management goals set on political grounds."

PROPOSITION I. 7.
PAGE 2

A University Official

"People have to realize that everything is not an issue of cost-effectiveness. The Grace Commission made it sound like cost control is the whole thing. But even the private sector is now learning that there is a lot more to management than cost control. The private sector now knows that you have to pay attention to your customers. The private sector is getting away from the junkyard dog mentality. They are beginning to learn that overhead systems are often self-defeating."

"The Grace Commission just gave us the old fashioned business ethic which business no longer believes. They ignored all the ideas of Abernathy, Peters and Waterman, and others. In good companies, ambiguity is an attribute. Peters and Waterman talked about tight/loose companies. The government is bigger than the Fortune 500. But the Grace Commission approach argues to build an even larger overhead structure. There is just too much nonsense that goes on in the name of efficiency."

A Former Federal Official

"People have to understand that government has many non-bottom line activities. Government was established to provide liberty, equality, and other democratic values. It is not necessarily the same set of standards which you would apply to the private sector. Look at the issue of equal opportunity. There is a larger moral issue there. You may always have be able to do things in the cheapest or most cost effective way. I don't mean that government shouldn't be efficient but we just have to make distinctions between the public sector and the private sector and the nature of why they do things differently."

SECTION II

THE "GOVERNMENT TAKES A BUM RAP" ARGUMENT

PROPOSITION II. 1.:

The public does not recognize the high caliber of public servants in America.

Chief Executive Officer

"I think there are many good people working in government. It is a shame that they are listed with all the people who are not good. My employees joke that when the traffic is light, City Hall must be taking another day off. Things like that really irritate people. But it is an injustice to the good people who are in the majority to be criticized along with people who are not doing well."

A High Ranking Local Official

"I admire my public sector colleagues. They are very dedicated. They work in a complex, tough environment with no monetary rewards. It is the internal rewards which drive people in the public sector."

A Chief Executive Officer

"I have been impressed with government employees. They are not a bunch of dunderheads. I believe you have deadweights in any organization. It happens in both business and government. I was involved in a trade association that wanted to put out a letter criticizing government employees. I told them that was wrong and that my company would pull out of the organization if they issued it. They didn't."

A Former Federal Official

"I really respect the people in government and the people in the State Department. I used to make speeches to business groups and tell them they would be proud to have the people work for them that I have met in government."

A Former Cabinet Officer

"I was very impressed by the people in my department. They were some of the best motivated and ablest minds that I have ever come across. As group, they were as good as any as I have ever seen."

A Former White House Staff Member

"I have been involved with government for over twelve years and the people are good. The problem of poor performance is really one of perception and not reality."

A Chief Executive Officer

"There are many good civil servants. Many work hard for very little reward. They must do it for the satisfaction as they don't get much reward. I think, however, that satisfaction must wear out after awhile."

A Business Executive

"I continue to be impressed by the capability of the people at my former department. They are the people who hold the place together. And they don't get any credit for it. It is the career people who hold the place together and it is a shame that this Administration has not be supportive of them. I was very impressed with all the people that I met during my government service. Now after having been in the private sector, I see some duds here. There are just as many duds in the private sector as in the public sector."

A Chief Executive Officer

"I think that government managers get much criticism which they don't deserve. I think people in government are well meaning and work like hell. They work just as hard as do people in industry. My problem is with the tendency for some jobs to be embedded for life which creates some inefficiencies."

Business Executive/Former Government Official

"I don't believe that the quality of people is that much better in business than in government. There might be a difference at the most senior level because of the wide pay disparity. But for the middle range managers, they are just as hard workers in the public sector as they are in the private sector."

PROPOSITION II. 2.:

The public does not receive information about programs which are performing well.

A University Professor

"I don't believe that you have to criticize people to get improved performance. Sometimes criticism is needed, but more emphasis should be given to the positive. We need more good examples. We need more positive incentives."

A Business Executive

"We need to know what works. Examples of excellence in government should be disseminated. This can be a very dignified way of communicating what government does."

A Chief Executive Officer

"I like the idea of honoring good programs. We need to find out what is working well. We need to give people recognition."

A Business Executive

"I think it is important to find good models of government. You need to find examples of people who have done something and made a difference. "

Former High Level Federal Official

"We need to tell the public what government is doing. This can only be done by illustration. You can't do it in general. I like the idea of case studies on what people in government are doing."

A Business Executive

"A fruitful area is to look at individuals. Find people who have made a difference. Identify the people who have been effective in government. Recognize civil servants. I like to read stories about people who win awards. Look for the success story."

A Business Executive

"I think it is important to find good models in government. But you can't talk about performance in the abstract. The key question is performance relative to what. It is not just the absolute level of performance but also the rate of performance. It is finding somebody who took a mess and improved it to something better. It is finding somebody who took a good agency and made it better. It is finding somebody who transformed an agency into something new or who even disbanded it. You need all the above situations to make government better. Again, it is a question of relative performance. It is finding examples of people who: (1) increased accountability; (2) defined their missions; (3) measured performance; (4) rewarded performance; (5) encourage people in their agency to take risks (even though this may involve some failure); or (6) got more out of a dollar in their agency."

PROPOSITION II. 3.:

Public attitudes toward government would improve if citizens had more direct contact with public employees.

A University Official

"A problem is that government workers are faceless. This is compounded by the fact that people most frequently deal with the routinized bureaucracy, the mechanical bureaucrats. But some bureaucrats do live up to their stereotype."

A Former High Level Government Offical

"The government now faces many problems. The public tends to blame the government and the people in government. They blame people that they don't know. And the press tends to encourage this. You don't dislike the people you know, it's the people you don't know."

"Look at the President. After the attempt on his life, he gave a speech to Congress and praised the Secret Service and the Space Shuttle astronauts. He praised them because he knew them."

PROPOSITION II. 4.:

Government itself bears part of the responsibility for its image because the public sector does not communicate very well to the public at large.

A University Official

"One things that needs to be done is to convince government that it needs to do a better job of communicating what it does. It may take ten years to do that but it would be worth the attempt. Maybe after ten years of work,government will be in a better position to defend and explain itself."

A Director of a Local Transit System

"We are just not oriented to communicating very well. We spend our time being reactive. We don't do positive communication very well."

"It is impossible to ask my board to spend x amount of dollars to tell the public the story of our performance. We are always in a budget crunch. We might be able to change public perception by telling them that 98% of our buses are on time, but the local papers probably wouldn't pick it up. We have no financial means to communicate. We are limited to pro bono communication."

An Official of a Transit Authority

"The government needs to be educated on how to communicate. If government tries to communicate, it gets criticized as a public relations effort. If we trained our managers in public relations, I'm afraid we would get criticized."

A Chief Executive Officer

"It is interesting that business can advertise its performance but that government cannot. In business, we take our message to the people all the time. Government just doesn't do that."

PROPOSITION II. 5:

Negative information about government is communicated by program evaluators and social scientists.

A University Official

"In a funny way, modern policy science and evaluation has contributed to the problem of the public's perception of government. Social scientists take a piece of legislation and they measure its impact too soon. They tear up the roots before anything has had time to grow. Social scientists are just plain wrong sometimes...All social scientists do is measure things in quantitative terms and they measure it too early to boot."

"Look at the HMO program. It has been criticized but the critics haven't looked at the entire program. HMO have had a great impact over the last twenty years in the health care system but social scientists are calling it a failure when it was actually a success."

A Business Executive/Former Federal Official

"Since the 1960s, we have program evaluation types all over the government. They provide a rigorous attempt to study government. But they have given prominent attention to the defects of government and may have undermined confidence in government. But there are many things which government has done well and has made a difference. The black community has made major improvements in health and education over the last twenty years."

"Nobody has done the same type studies on the Department of Defense when it had wings of planes falling off. Instead, it was easier to say that the Job Corps wasn't placing enough people. All of this contributes to the public's low image of government and contributes to the the general criticism of government."

PROPOSITION II. 6.:

Negative information about government is constantly communicated by politicians.

A Business Executive/Former Federal Offical

"It used to be that the President criticized the bureaucracy during the election campaign, but after the election he soon began to build bridges to the bureaucracy. But in recent years, the President has been attacking civil servants. It started with Nixon. He attacked civil servants six times in a state of the union speech. That was the beginning of the downward slide. Carter never stopped running against government. Then came Reagan."

"So we have had this infection permeate American life. Criticism of government and government employees has become the conventional wisdom in our society. What the President says has impact all over the country. It may be directed at federal employees but I'm sure that it impacts on state and local employees.

A Chief Executive Officer

"A major problem is that politicians need an issue. And they find the easiest way is to run against government. Instead of talking about what they are for, they talk about what they are against. The political system has rewarded people who run against government."

A Federal Official

"It is now profitable to run against the system. Politicians are saying that the system is no damn good. Carter said, "I'll fix it." Reagan said, "I'll privatize it."

A Former White House Staff Member

"Much of the blame for public attitudes about government should go to Carter and Reagan. Carter said that he would get government to do better. Reagan went him one more, and said that he would get rid of government. Democrats made too big of deal over improving governmment, it was really a non-issue. The same with reorganization of government."

"There are good people in government. Politicians rant and rave about them and this gives a bad impression to the public. It hides the successes which have occurred in government. We have made progress. The Food Stamp program has made a difference. But bad news makes the news and good news does not."

The Head of a Local Transit Authority

"A big problem is that politicians are always running for office. They have to respond to questions all the time. Sometimes, they make rash statements about government. And if the incumbent doesn't make a statement, his opponent will. Television has added to this situation. We didn't have all these rash statements in the old days."

A Chief Executive Officer

"I think the perception of government is worse than the reality. You have the situation in which the "outs" are always attacking the "ins." You don't have this situation in business, academics, or non-profits. You thus have this continual confrontation between people who are in office and the people who want to occupy the office. This creates a negative view of government."

A High Ranking Local Official

"A major problem is that the people responsible for governance often criticize the government that they are running. I think they have to show that they are tough and will weed out waste in government. So you have a problem when your principal spokepersons are telling the public that what they are running is not good."

A Former Federal Career Official

"We do have a problem when presidential candidates are beating up on bureaucrats. It is like beating up on your kids and wondering why they become unhealthy individuals."

PROPOSITION II. 7.:

Negative information about government is communicated and amplified by the media.

A Chief Executive Officer

"Television has really had some negative impacts on politics and government. For one, it kills off many local newspapers. Many towns have only one newspaper now and that isn't enough. You need competition. As a consequence, the quality of local coverage has gone down. There isn't enough quality control. Editors should do more editing."

A Business Executive/Former Congressional Staff Member

"The press simply does not focus on the processes or the institutions of government. I get tired of editorials praising the workhorses of Congress at the same time that the press gives all their daily coverage to the show horses."

Former High Ranking Federal Official

"There really is a problem with negative press. They only cover things which are are not favorable to the government. I had a conference one time about government programs which were working. There wasn't one word about that conference in the press and the press was there. It really is an uphill battle with the press."

SECTION III

THE "GOVERNMENT MUST SHAPE UP" ARGUMENT

PROPOSITION III. 1.:

The nation can no longer afford the "price of democracy" argument as government performance must be improved.

A Business Executive/Former Government Official

"The basic question is whether government can effectively administer and manage large programs or whether the government is better off just making policy decisions and contracting out everything else. If we can't have efficient and effective mangement, the question is whether government should continue to deliver those services."

"The entire issue of the government environment is very tricky. If you accept the environment and assume that you are looking for efficiency, that may drive you to conclude that you need a reduced role of government. This argument presumes that the public environment drives it to inefficiency."

"Government really has a major problem. If we state that the public environment has built into it major impediments to achieving efficiency and effectiveness, we are up against accepting it as the 'price of democracy.' I think that argument will no longer fly. The public sector is now approaching 40% of our economy. When you are 40% of the economy, how much efficiency and ineffectiveness can you afford? This argument leads you to the response of trying to make the processes of government less cumbersome and more efficient. But even if you do that, it may be less costly for society to not perform some traditional government functions."

A Chief Executive Officer

"There is a serious lack of confidence among the broad based public in government. There is a concern about the mismanagement of government. They are not as concerned about their leaders, as they are about the way in which government is run. This is true at the federal, state, and local level. There is the perception of waste and inefficiency. Both the media and various commissions have identified this waste."

"The problem is not with the people in government. I have seen many good people in government. The problem is that we are now approaching the time which there are so many problems in government that we just can't afford it any more. I have a sense that there is more support for reform than we realize."

"And the perception of mismanagement is not a partisan issue. It is there under both Democrats, Republicans, liberals, and conservatives. We have simply accumulated a variety of good and bad laws and a variety of good and bad practices. The problem is that we can no longer afford any mismanagement.

PROPOSITION III. 2.

To improve performance, the government should do more strategic planning.

A Former Chief Executive Officer

"I don't think the government does strategic planning very well. Government really can't think very far ahead. Because of this, I decided that my city needed to do some economic strategic planning, so I put together a group of people to do. We are planning to look at a twenty year time span. We are trying to take the issue out of the hands of politicians."

"When you ask me about how government is doing, my response is that they are doing abysmally. Government can't think twenty minutes ahead, let alone twenty years. And a politician told me that."

A Former Federal Official

"I know the State Department very well. The Secretary is boxed in. The place cannot think two weeks ahead. I think long range planning is terribly important. If the Department can only think two weeks ahead, maybe some outside group should look at some of the major planning issues facing the department."

A Chief Executive Officer

"I just don't know what the government does in the planning area. But I think they have to plan. I think they can have financial objectives and a clear operating strategy. An organization needs objectives, strategy, and accountability."

"The biggest challenge I faced in this job was developing objectives and strategies after I took over. We have a planning system which drives us toward a clear statement of our mission. Look at our annual report. We have our financial objectives and operating goals published on page 2 and 3. And I tell people whether or not we accomplished them."

A Chief Executive Officer

"As for improvements in government, I think planning is one area in which government can improve. We really emphasize planning in my company. We have a plan that starts at the bottom and builds up to the top. I would really like to get the message across to government that planning starts at the boottom and that any organization should take advantage of all of its workers in the planing process. The process is important.

PROPOSITION III. 3.:

To improve performance, the government should place more emphasis on developing and recognizing its personnel.

A Chief Executive Officer

"I think my company does a good job in human resource management. We spend a lot of time in recruitment. We aggressively recruit and have a staff devoted to it."

"My philosophy is that you have to get people ready for their next job. You are always training people in their current job and getting them ready for their next job. I believe people want to be trained. They know what do if they want to get ahead."

"While I believe there are many differences between government and business, we ought to be the same in the area of training and development."

"We tailor our training and development programs to our needs. We don't look at the short term. We are always looking toward the future."

A Chief Executive Officer

"In my company, we spent a whole lot of money supporting our employees and building morale and hand holding. I bet this isn't done much in the public sector. There seems to be no mechanism for public employees to be told that they are "all right."

"I also believe in recognition. People respond to recognition. But you should only do it for people who are truly excellent and warrant it. It is hard to find quality people. You have to find them early in their career. We have a "rookie of the year" program at my company. I don't see things like that at the federal level."

A Business Executive

"One area of improvement for government is in training. I don't know to what extent career people are provided with management training. My company puts much emphasis on developing young people. We have executive training programs."

"Government really can't match our investment in executive development. We make a great investment of dollars in our people but government doesn't do that. I also believe that the private sector has more incentive to do training."

General Manager of a Transit Authority

"A major problem for the federal government is lack of recognition for outstanding employees. We have too many pro forma performance appraisals. But recognition is important and it should be done well. I know of one example of somebody who received an outstanding rating and a check just showed up on that individual's desk. People should always know why they get awards. We have made the entire thing too routine at the federal level. It is not the system that needs improvement, it is the way in which the system is implemented and conducted."

"I also believe that we need more career development at the federal level. We need to give managers an opportunity to assess what they are doing. I like the idea of the Federal Executive Institute and sabbaticals programs. The problem is that they don't send the right people to these thngs. It is all too often simply a way to get rid of someobody. This type of thing should be a motivator but it isn't if you send mediocre people to it."

A Former Chief Executive Officer

"It strikes me that business has a tendency to look at government only in the context of budget cutting or reducing fraud and waste. Why don't they look at developing people, increasing public productivity, strategic planning, or finding ways to be more creative about problems."

"I think that government is not very innovative in the area of career development. It cost a lot of money to invest in people. But I do think that people like to think they are working for something important. There is more than the bottom line in business, though some may not agree with me."

A Business Executive/Former Federal Official

"I think the major difference between public and private is really in the human resource area. By human resources, I mean career development, career planning, succession planning, objective setting, etc. To a large extent, this is totally lacking in government. This is especially true with political appointees, they don't seem to care about the care and feeding of human resources. I think this is a big mistake. Developing and motivating people is important."

PROPOSITION III. 4.:

To improve performance, the government needs to provide more continuity and improve the relationship between career and non-career employees.

A Transity Authority Official

"We need more continuity in government. Lack of continuity is a real problem. We start all over with new Deputy Commissioners all the time. It is like Genesis in the bible. Everything seems to begin anew when a new appointment is made. It's like nothing every happened before and we are starting from scratch."

General Manager of a Transit Authority

"The job of the career bureaucrat is very tough. It is especially tough with a change in political appointees. I think the cadre of career people are the ones who hold a department together. They have to be flexible enough to adjust to a new administration, while at the same time they also have responsibility to keep programs running. New political appointees just want to start all over again but many things are already underway. The challenge is how to maintain momentum and keep government going without having to reinvent the wheel every two years."

A Former Career Federal Official

"I did get tired of changing administrations. It was like raising successive groups of teenagers. I had had it. I gave them advice but they had to make their own mistakes. They have to learn things for themselves. They often won't listen. They just have to grow up by themselves."

A High Ranking Career Federal Official

"Many career people never come to grips with the political system and political leaders. Often they may disagree with them on matters of judgment. It is the obligation, however, of career people to give them a chance. We (career staff) have become too defensive. Some of the criticisms of political people of the bureaucrat is justified and reasonable."

"I'd like to see more communication and better linkage between career people and the political types. That includes Congressional and Executive. Career people also have to learn to deal with the congressional bureaucracy."

A Business Executive

"I like the British system of shadow cabinets. I heard their new Minister of Transportation speak just after he took office. He just wanted to make a few changes. He didn't want to change everything. And he knew his program very well. He made his changes without fouling up the entire government. In the United States, the whole program would have been messed up."

"Maybe we have too many political appointees. We need more stability and continuity. Changing 3,000 or 4,000 appointees every administration is too much. In Japan and in Europe, they only change a hundred or so when the party changes power. Maybe we should look at their systems and see if we can learn anything from it."

PROPOSITION III. 5.:

Civil servants need to be innovative, creative, accountable, and assume more responsibility for improving government performance.

A Former Cabinet Officer

"In general, I found career government leaders to be long on professionalism and short on innovation. It is interesting to note that I find it the opposite in business."

A Business Executive

"A major problem is the lack of accountability in government. There is really nobody to blame. I saw this when I was a city alderman working on city pensions. There was really nobody to blame or to hold accountable. It was unclear who was responsible for the situation. There are just so many actors involved."

A Chief Executive Officer

"Accountability is important. The key to performance is objectives and accountability. Making objectives sends a clear message. All my managers have objectives and strategies. At the end of the year, I hold them accountable for what they accomplish. That is what planning is all about. There ought to be things you can hold government agencies accountable for."

"I tell my managers that they will not be just judged on short term gains. They have to come up with new ideas and take risks. Innovation is terribly important. I tell my managers that I expect them to slip sometimes but that is part of their job. They should learn from their failures. I have learned from my mistakes. And if they aren't making mistakes, something is wrong. You have to be creative and innovative."

A Business Executive

"In business, we give authority to managers. We have profit centers. Corporate headquarters does set broad policy but we let the managers implement. We have an executive committee which is a small group of seven people. But once policy is made, each top manager executes it within his own program in a profitable way."

"I don't think they gave cabinet secretaries and high government managers enough authority. Look at the State Department, they are always fighting with the White House over authority and so forth. That"s a problem."

A Business Executive

"The key thing about business is their ability to hold people accountable. The problem in government is that accountability works in a political context. In government, you can always find somebody else to blame. I want to know who to hold accountable for making the air strikes in Lebanon with those old slow jets. The answer is that probably nobody is accountable."

A Former Federal Manager

"The problem with the federal government is that there is much less accountability and therefore less performance. In many ways, local government is closer to the people and thus more accountable. There is no direct line into the federal government in which to hold people accountable. There is just layer after layer. There is very little sense of real accountability except perhaps at the top supervisory level, and even then there isn't much. There is just no accountability to the public."

"If there is any accountability at the federal level, it is internal to the bureaucracy. This internalized accountability creates a bad situation. The sense of accountability is thus distorted. In short, the federal government just lacks any sense of responsibility."

A Federal Official

"Part of the problem is ourselves. We (public administrators) have been defensive as hell. We have resisted all attempts to change. We have tried hard not to adjust to change. We have been too concerned with job security and retirement benefits. Many of us in the system invented many of the programs now under attack and we have become defensive about them."

PROPOSITION III. 6:

To maintain a capable work force, government needs an improved system of compensation and rewards for its employees.

A Chief Executive Officer

"There is too much turnover in state government. State employees just don't get paid enough. There is not enough professionalism. The top level of the bureaucracy is crucial, the heads of agencies and their top staff. These are the people who make a difference. The problem is the compression of pay. Too many get all the same pay. In business, we do better. There are guidelines and rules of thumbs. We know that the guy under the CEO should make 70% of what the CEO makes. We just clearly need higher salaries. My state finally did give a pay raise recently for top civil servants. It went from $55,000 to $70,000. That was really good because it enables a civil servant to have a little extra to send his kid to college. That is all he wanted."

"Pay, prestige, and working conditions are important. Not everything in government has to be shabby. Physical things are important. You get things done through people."

"The public is going to have to grow up on salaries. The core group of senior civil servants is important. You can't replace them. The public needs to bite the bullet on salaries. You need for them to go up automatically because you can't fight the battle every year. Somebody needs to work on this."

A Chief Executive Officer

"I also believe strongly that we want better people in government. I have constantly supported pay raises for public employees, especially those in non-elected positions. We need to pay them well. Effective generals shouldn't have to leave for better paying jobs in the private sector at the peak of their careers. We need to attract and retain good government managers."

A Chief Executive Officer

"So much of government is related to the people who are selected into it. You want to have first rate professionals. You need skilled managerial types. You have to recognize the importance of putting good people into place. You also have to recruit the good people. I go to the best colleges to recruit. But the problem is that salaries cannot be totally unacceptable. Salary can be below the private sector because poepie may like the challenge of government. But you can't substitute challenge for lack of compensation."

A Former White House Staff Member

"Public employees are not motivated by money, they are motivated by the challenge of government."

"The big issue is how to reward good management in government. What is the incentive for good management? Why should the individual manager care. There have to be more incentives. You need rewards and incentives. The budget process should be an incentive but it isn't. The big question is how does Washington reward a successful manager. I just don't see people being rewarded for good management."

A Chief Executive Officer

"Based on my experience in business, I feel there is a lack of incentives in government and the lack of recognition of good people. There are a lot of good civil servants. They must work for the satisfaction of the job because they are clearly not rewarded. But satisfaction must really wear thin after awhile."

A High Ranking Local Official

"A major problem is keeping good people who are already in the field. Good people see clearly that there are both salary constraints and limited promotion possibilities. We are driving our best young people out. I am concerned that future generations of leaders are being driven out now. They simply are not getting the salary increases and we are losing our better people."

For the longer term folk, the prophecy is becoming self fulfilling. They hear they are no good and they soon start believing it and acting like it is true. Overall, our middle managers are no longer the best. They are performing their jobs in a workman-like atmosphere but the quality is decreasing."

A Business Executive/Former Government Official

"The whole issue of public service is changing. The upper class always had a syndrome of wanting to serve in government. But we need to pay people what they are worth. Many are worth more than $60,000. We should be willing to pay more. I get more pay but I don't have anywhere near the responsibility that government leaders do. There are people in business who are getting too much pay. The whole pay commission idea should be re-examined. Nobody ever takes their advice."

A Chief Executive Officer

"In the final analysis, the problem of government is really one of managers. The government has this strange situation in which federal pay overpays lower and some middle level people, while at the same time underpaying its high level managers. This situation results in a constant erosion of good managers and that is a problem."

General Manager of a Transit Authority

"A major issue is compensation. There is real disparity between public and private in the pay area. And it just isn't in pay, it also includes the entire issue of ethics and life style. Business people have expense accounts, they can take somebody out to lunch. I can't take anybody to lunch and I can't let anybody pay for my lunch. This is a problem and I understand it. I know it is public dollars and we can't must be above any suspicion. But we have to find someway to give prestige to government people."

"I am also concerned that we continue to lose good people to the private sector. This is a clear trend which I don't like. You see it especially at the federal level. Many capable people are realizing that they can get a better deal in the private sector and they don't need the grief of life in government."

"In sum, I think we need to find a way to maintain public trust but at the same time create a work environment that fosters excellence."

SECTION IV

THE "COUNTRY MUST SHAPE UP" ARGUMENT

PROPOSITION IV. 1.:

In order for government to perform well, the nation needs to reestablish a sense of enthusiasm toward government and restore a positive attitude toward public service.

A Chief Executive Officer

"We have lost much of the attraction to government which was apparent in the the 1960s. We have lost that enthusiasm. During the 1960s, we felt that government could get things done. We don't enjoy the same situation today. We need to restore that feeling."

A Former Federal Official

"I was in government in a different era. We were able to attract top rank people who were not in it for the money or the glory...It was an exciting time and we attracted alot of good people. We had excitement going for us. I simply don't understand why government can't be exciting today. Why can't the Department of Energy be an exciting place?

A High Ranking Transit Authority Official

"The public sector was well respected in World War II. It was held in high esteem. That esteem lasted during the post World War II period. The GI bill was viewed as a good thing. Public service was attractive. Public service must be made attractive again. We need creative new ideas. Public sector management should be attractive, even though it is a time of cutting back."

A High Ranking Local Government Official

"It is getting more and more difficult for agencies in my city to hire the bright young people that we used to. Bright young people are no longer sure that there are jobs for them in government. We are thus getting a limited supply of quality young people. This is going to be a problem in the future. I am afraid that we might have hardening of the arteries in our city."

PROPOSITION IV. 2.:

In order for society to perform well, a sense of national common purpose needs to be reestablished and all sectors of society need to work together toward that common purpose.

A Former Career Federal Official

"I think we have either not understood or have lost our understanding of the role of government in our society. We are no longer well educated in basic civics. We don't know the role of citizens in our society. We have gotten caught up in the notion that government is always supposed to be efficient and cost effective. We haven't demanded enough of what we mean by individual responsibiltiy for government. Citizens need to participate in the solution to societal problems. It is not just the government's responsibility to solve problems. The public has to assume responsibility for some things.

A Chief Executive Officer

"I think government is inefficient because of you and me. Everybody is trying to protect their own self interests. Let me tell you a story. I am involved in my local Chamber of Commerce. We all sit around at the beginning of our meetings and criticize government and complain that government regulations are choking us to death. Nobody dissented from that view. Then we started the meeting and voted unanimously to pass a resolution requesting increased regulations to protect our local trucking industry. Nobody realized what they had done in light of our previous discussion. The pervasive attitude is to streamline government but don't infringe on me."

"Making change in this area is going to be difficult. We have commissions on regulation and commissions on paperwork, but where is the commission on self interest? Self interest is the real problem. Everybody is looking out for number one. Everybody thinks that everything is somebody else's job."

A Chief Executive Officer

"Somehow we have to get people to look at government as an organization designed to take care of the common interest. Today, the problem is that no one seems to be encouraging that point of view."

A Transit Authority Official

"We need to tell people how the government affects their lives. They have to assume responsibility for the government. They are part of the problem but they can be part of the solution. Everybody is a stakeholder in America. Everybody has a piece of action. We have to get the public to realize that."

A Chief Executive Officer

"I don't believe that the system has become so complicated that it is hopeless. We do live in an age of special interests but something can still be done. Pork barrel politics is a problem but the system can be changed. We need to build a consensus around the need for change. I think we can bring it off but it will require a partnership between business, media, government, and citizens. I am encouraged about the new set of leaders around the country. They are trying to make the system work and I am hopeful."

A Business Executive

"There is just too much volatility in our political system. You se it all the way from local schools boards to Congress. Everybody is always fighting. It wasn't always like that. I remember the cooperation between Congress and the Executive Branch in the 1950s. When Senator Kerr headed the Space Committee, NASA was really good. He understood the problems of NASA and worked with them. There was stability on congressional staffs. We now have too much turnover of both Congressmen and their staffs. They don't stick around long enough to learn the programs."

"Before we can get excellence in government, we need to tone down all the volatility. I don't think we can get excellence in this atmosphere. I serve on corporate boards. We had too much volatility on one board I served on. We made some changes and got things settled down. After that, we finally got things straightened out and we could work together. It is the same thing with government."

PROPOSITION IV. 3.

To reestablish that common purpose, business and government leaders need to work together and begin to better understand each another.

A Business Executive/Former Federal Official

"The private sector really does have little tolerance or understanding of government. Of the top 100 executives in my company, I think only 15 have any real appreciation of government. The other 85 are know-nothings. The accepted position of their peer group is anti-government. Few are pro-government. They talk badly about government workers. And I don't think they are necessarily any better than the government employees which I have known."

A Chief Executive Officer

"I think that both business and government people are afraid of each other. Business is afraid to get too close to government because they fear they will somehow lose the spirit of free enterprise or something. Government is also often afraid of businessmen."

"In many respects, it all boils down to people getting acquainted with people. Getting people to know each other. This takes maturity. People need to know each other and then they can disagree. We need to get the dialogue started between business and government."

"I like exchange programs. We need to find a way for people to learn about government. Half may turn out cynical but the other half will really learn something about how things get done and how they should get done. We need more things like this."

A University Official

"Businessmen really believe their criticisms of government. It is part of their ideology. It supports their faith in the private sector. There is a deeply entrenched view that private is somehow better than public."

A Business Executive/Former Government Official

"My business colleagues have a very simplistic view of government. The only exceptions are the few of us who have actually been in government. But there are simplistic views on both sides. Government looks at businessmen as a bunch of people trying to make a fast buck. Business views government as something you have to put up with. Part of the problem is that businessmen mainly work through their Washington representatives. They really have little to directly with government. And when they do have something to do with government, it is always in an adversarial relationship."

A Business Executive/Former Federal Official

"Everyone I know who spends time working in Washington or even attended seminars with government officials do come away impressed with the quality of government managers. But on the other hand, I think there is generally a lack of high expectations by business people of government people. This changes, however, when people do come into direct contact with government. But only a small portion of my company has any extensive interactions with government."

Former Cabinet Officer

"I believe there is much to be gained from two way communication. I like government exchange programs. We need to get people talking to one other. We need to change people's mind about other institutions of our society. Nothing destroys people's image about each other than being exposed to the other. I like the idea of businessmen talking about government with government people."

A Chief Executive Officer

"We need more interchange among all our citizens. We need to send government people to other jobs to give them more exposure to real life. Maybe government people should work in business for one year. I would be glad to take one. We also need to send more people into government. We need more interaction."

A Business Executive

"I think we need to build mutual respect between the public and private sector. There is a lot that can be done. I've seen business working with schools. And I strongly favor exchange programs. I think management is management in both sectors. I think anybody can do a lot of the same things in other sectors. Marketing is the same and so forth. But many people in the private sector don't believe that."

"I also believe that you can't criticize a man until you have walked in his shoes. That is why I like exchange programs, It is almost like the race issue. When the races were kept apart, there were a lot of misconceptions because of the mystique that resulted from keeping them apart. But as they got to know each other, they gained greater understanding of each other. The myths went away. It is the same with government and business people. They must interact more."

A Chief Executive Officer

"I think that people who don't have contact with the government really have a skewed vision of the world. Most of my peers in the business community have no real understanding or contact with government. One is thus faced with an education process. I am involved in a business organization. Most of the people in that organization really look down on government. I've seen many qualified people in government which they haven't so I have better understanding than most of them. I respect government people and the hard job they do."

PROPOSITION IV. 4.:

The nation's political process needs to become "less" political.

A Chief Executive Officer

"I'll tell you what we need. We need a forum/organization which is outside of the political cycle. Sometimes politics excludes good policy. Maybe there ought to be a National Economic Office like the National Security Council. We need a forum in which issues can be debated not on a political plane...It is interesting that commissions are no longer a joke. We used to laugh at them. But now they are being used to solve problems since Congress doesn't like to make decisions."

A Chief Executive Officer

"A major problem is that I wish that the system would require its leaders to do what is right, instead of what is popular. People just don't get elected to do what is right. The system just doesn't build politicians to be that way. There are many examples of this."

APPENDIX

INDIVIDUALS INTERVIEWED BY CENTER FOR EXCELLENCE
(Affiliation at Time of Interview in Parenthesis)

I. THE BUSINESS COMMUNITY

Harry B. Bernhard
Advanced Management Development
IBM
Armonk, New York

James Bere
Chief Executive Office
Borg Warner Corporation
Chicago, Illinois

Leon Billings
Billings and Associates
Washington, D. C.

Alan K. Campbell
Executive Vice President for Management and Public Affairs
ARA Services, Inc.
Philadelphia, Pennsylvania

Samuel Convissor
Staff Vice President Corporate Affairs
RCA Corporation
New York, New York

Pete Dawkins
General Partner
Lehman Brothers Kuhn Loeb
New York, New York

Greg Farrell
Executive Director
Fund for the City of New York
New York, New York

Harry L. Freeman
Senior Vice President
Corporate Affairs and Communication
American Express
New York, New York

David Girard-diCarlo
Blank, Rome, Comisky, and McCauley
Philadelphia, Pennsylvania

INDIVIDUALS INTERVIEWED
PAGE 2

Joseph Giglio
General Partner
Bear-Stearns, Inc.
New York, New York

Amory Houghton
Former Chairman of the Board
Corning Glass
Corning, New York

Walter Humann
Chief Executive Officer
Hunt Investment Corporation
Dallas, Texas

Leonard Lieberman
President and Chief Executive Officer
Supermarkets General
Woodbridge, New Jersey

Herbert N. Jasper
Executive Vice President
American Council for Competitive Telecommunications
Washington, D. C.

Tom Johnson
Publisher and Chief Executive Officer
Los Angeles Times
Los Angeles, California

Philip D. Kaltenbacher
Chief Executive Officer
The Seton Companies
Newark, New Jersey

Bruce Kirschenbaum
Stroock, Stroock, and Lavan
Washington, D. C.

William A. Morrill
President
Mathematica Policy Research
Princeton, New Jersey

John McGoldrick
Schulte, Roth and Zabel
New York, New York

INDIVIDUALS INTERVIEWED
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Luther C. McKinney
Senior Vice President, Law and Corporate Affairs
The Quaker Oats Company
Chicago, Illinois

Dana Mead
Vice President and Group Executive
International Paper Company
New York, New York

Michael H. Moskow
Chief Executive Officer and President
Velsicol Chemical Corporation
Chicago, Illinois

Lee W. Munnich, Jr.
Research Director
Minneapolis Business Partnership
Minneapolis, Minnesota

James J. O'Connor
Chairman and President
Commonwealth Edison Company
Chicago, Illinois

C. Kenneth Orski
President
Corporation for Urban Mobility
Washington, D. C.

Charles Parry
Chief Executive Office
ALCOA
Pittsburgh, Pennsylvania

Robert Patricelli
President
Affiliated Business Group
CIGNA Corporation
Hartford, Connecticut

Richard Page
President
Washington Roundtable
Seattle, Washington

Ancil Payne
President
King Broadcasting
Seattle, Washington

INDIVIDUALS INTERVIEWED
PAGE 4

Donald S. Perkins
Former Chairman of the Board
The Jewel Company
Chicago, Illinois

Sidney Peterson
Chief Executive Officer
Getty Oil
Los Angeles, California

Vincent Reed
Vice President for Communications
Washington Post
Washington, D. C.

Philip J. Ringo
Chairman and Chief Executive Officer
ATE Enterprises, Inc.
Cincinnati, Ohio

John Robson
Chief Operating Officer
G. D. Searle and Company
Skokie, Illinois

Thomas F. Roeser
Vice President, Government Relations
The Quaker Oats Company
Chicago, Illinois

Edward G. Sanders
President
International Planning and Analysis Center
Washington, D. C.

John Saxon
Director, Corporate Issues
RCA Corporation
Washington, D. C.
(Senate Committee on Ethics)

William Smithberg
Chairman and Chief Executive Officer
The Quaker Oats Company
Washington, D. C.

William Snyder
Chief Executive Officer
Government Employees Insurance Company
Washington, D. C.

Ken Sparks
Executive Vice President
Federal City Council
Washington, D. c.

William Stokes
Senior Vice President
ATE Enterprises
Washington, D. C.

Lewis Thurston, III
Chief Operating Officer
New Jersey Sports Authority
East Rutherford, New Jersey

Alan M. Voorhees
President
Summit Enterprises, Inc. of Virginia
Fredericksburg, Virginia

Keith Weikel
Group Vice President
American Medical International
McLean, Virginia

Harrison Wellford
Wellford, Wegman, Krulwich, Gold, and Huff
Washington, D. C.

John O. Wilson
Senior Vice President and Chief Economist
Bank of America
San Francisco, California

II. THE GOVERNMENT COMMUNITY

Keith Barnard
General Manager
Bay Area Rapid Transit District
Oakland, California

Senator Jeff Bingaman, New Mexico
U. S. Senate
Washington, D. C.

Lawrence D. Dahms
Executive Director
Metropolitan Transportation Commission
Oakland, California

Tom Downs
Deputy Mayor
City of Washington
Washington, D. C.

Bernard Ford
Director
Chicago Transit Authority
Chicago, Illinois

Sid Frigand
Director of Public Affairs
Port Authority of New York and New Jersey
New York, New York

Louis J. Gambaccini
Executive Assistant Director and Director of Administration
Port Authority of New York and New Jersey
New York, New York

T. Keith Glennan
Former Administrator, National Aeronautics and Space Administration
Former President, Case Western University
Reston, Virginia

James D. Hodgson
Former Secretary of Labor and Ambassador to Japan
Los Angeles, California

Dale W. Luerhing
General Manager
Golden Gate Bridge, Highway, and Transportation District
San Francisco, California

Frank Logue
Consultant
New Haven, Connecticut

Philip Sam Hughes
Under Secretary
The Smithsonian Institution
Washington, D. C.

Ray Remy
Deputy Mayor
City of Los Angeles
Los Angeles, California

Elmer B. Staats
Harry S. Truman Scholarship Foundation
Washington, D. C.

Carmine Turner
General Manager
Washington Metropolitan Transit Authority
Washington, D. C.

J. Jackson Walter
President
National Academy of Public Administration
Washington, D. C.

III. THE ACADEMIC COMMUNITY

Robert N. Biller
Vice Provost
University of Southern California
Los Angeles, California

Garry Brewer
Professor
School of Organization and Management
Yale University
New Haven, Connecticut

Hale Champion
Executive Dean
John F. Kennedy School of Government
Harvard University
Cambridge, Massachusetts

Robert Curvin
Dean, Graduate School of Management and Urban Professions
New School for Social Research
New York, New York
(The New York Times)

James Fesler
Cowles Professor Emeritus of Government
Department of Political Science
Yale University
New Haven, Connecticut

Luther Gulick
Chairman Emeritus
Institute of Public Affairs
New York, New York

INDIVIDUALS INTERVIEWED
PAGE 8

Randy H. Hamilton
Dean, Graduate School of Public Administration
Golden Gate University
San Francisco, California

Ted Koldrie
Senior Fellow
Humphrey Institute of Public Affairs
University of Minnesota
Minneapolis, Minnesota

Craig C. Lundberg
Chairman and Professor
Graduate School of Business Administration
University of Southern California
Los Angeles, California

Milt Pikarsky
Director, Transportation Research
IIT Research Institute
Chicago, Illinois

James O'Toole
Associate Professor of Management
Graduate School of Business Administration
University of Southern California
Los Angeles, California

Ingrid Reed
Woodrow Wilson School of Government
Princeton University
Princeton, New Jersey

Harold Richmond
Professor of Social Policy
University of Chicago
Chicago, Illinois

Al Zuck
Executive Director
National Association of Schools of Public Affairs and
Public Policy
Washington, D. C.

Senator **Bingaman**. We have one additional witness today and that is Mr. J. Jackson Walter with the National Academy of Public Administration. Mr. Walter is going to speak on revitalizing Federal management and implementation of legislative policy by the executive branch. We welcome you today. We appreciate your coming and preparing testimony for us, and we are looking forward to hearing from you.

TESTIMONY OF J. JACKSON WALTER, PRESIDENT, NATIONAL ACADEMY OF PUBLIC ADMINISTRATION

Mr. **Walter**. Thank you, Senator.

I submitted prepared testimony and I am sure you will put it in the record. I thought I would work my way around in a bit of a circle for you today. First of all, I want to thank you and colleagues of yours in the Senate for your sponsorship of the Federal Charter legislation which was passed by the Congress earlier this year and signed by the President in April.

Picking up a little bit on your most immediate previous question about excellent performances in Government, the National Academy, of course, was the creature in large measure of Jim Webb who was the Administrator of NASA in charge of the Apollo program that put a man on the Moon. He is one of those highly excellent performers whom we all would like to celebrate.

I am also pleased the subcommittee heard today from Brad Patterson and Lou Gambaccini who are members of the National Academy, an honorary organization patterned after the National Academy of Science.

One of my reasons for wanting to participate in the hearings is to say as sturdily as I can, while the executive branch of the Federal Government can take and in fact now is taking steps toward improving its own management, truly significant and successful strides in this direction will occur only if Congress becomes a full participant in the public management improvement process. There are various ways to document that proposition. One of the easier ways is simply to say a year ago in the course of a study that produced the "Revitalizing Federal Management" report, we asked the GAO to take a look during the decade of the 1970's at policy initiatives taken then and to measure to some extent what constituted the ingredients in success or failure.

In part they found it was congressional participation and congressional attention in the followthrough and performance of those policy initiatives that was the difference between those programs that succeeded and those that didn't.

What I would like to do here this morning is to try to urge this committee and you, Senator Bingaman especially, to continue your work in taking advantage of those situations that come before you to try to raise Government-wide management improvement issues. You have two of them coming down the pike and I would like to refer to them both.

They are in the form of the standard Senate practice of confirmation hearings. You will early next winter be conducting confirmation hearings for the Administrator of the General Services Administration and for the Director of the Office of Personnel Management. In the first case, the GSA Administrator, you have a vacancy there now. In the case of the Director of the Office of Personnel Management, the Civil Service Reform Act provides for a 4-year statutory term, which term will be running out early in 1985. Regardless of the outcome of the election, this committee will have before it confirmation hearings on the heads of two of the three central management agencies, occasions in each case, I believe, in which you will be able to raise the kind of perspectives you have been developing in these hearings.

A number of themes have emerged from the work that the National Academy has done recently in connection with the Assistant Secretaries for Administration and Management in all the Federal departments and most of the independent agencies as well as single agency work with NASA and the EPA.

Let me add, by the way, in connection with something Mr. Ouchi said earlier, we have done work recently on both the space telescope and on the space station program and in each case his point is absolutely clearly true; that is, scientific and technical research far outstrips the operational and management research associated with both of those programs.

Let me mention only four of these themes. First, a confirmation as it turns out of the point made earlier this morning by Andrew Grove, that is, enormous emphasis on the importance of middle managers, program-line managers in the Federal system as the major force with the potential for innovation, revitalization, restoration, excellence, whichever set of rhetoric delights you want to use. It is those Federal managers who, interestingly enough, of course are the butt of all the anti-Government rhetoric and at the same time ironically, I believe, feel themselves to be shackled by a series of very centralized internal management systems that have themselves tied up in knots. They agree they are not able to manage their programs as efficiently as they would like to be able to and they are clearly a major potential force for improving the management of the Federal Government.

A second theme that we seem to come back to over and over again that—perhaps as a result of the increasing mobility and turnover in the Federal work force that Mr. Lilley has just spoken about—we have characterized as destruction, perhaps, just the loss, I would say the destruction of any institutional memory in many, many sections and programs in the Federal Government. A destruction of institutional memory that leads to comments that at a National Security Council meeting on the Middle East there was no one in the room who was there 5 years ago. A very devastating kind of problem, clearly associated with professional mobility, which is a good thing, but nonetheless there is an institutional memory which is critical to preserve and which we somehow or another have destroyed.

A third theme is the weakness at present of the central management agencies to sustain, not initiate but sustain, management reform efforts. That is a clear theme that is developed at some length in our "Revitalizing Federal Management" book, but it is also heard throughout almost all of the work of the National Academy.

A fourth general theme is the overwhelming importance of management competence as a criterion for selection to positions of high political leadership. This was, of course, the major thrust of the National Academy's book, "America's Unelected Government," which is a study of the Presidential personnel recruiting system which was underwritten by The Business Roundtable. It is the same theme that comes through when we look at the EPA management system, when we look at NASA, when we take a look on behalf of the Assistant Secretaries of the 16 different departments and agencies at the program management over and over again: The importance of management competence in the political appointees of the President.

In my testimony, I have words about people in connection with the recruiting and selection of both political and career employees of the Federal Government as well as their subsequent training and development. We talked about that a bit earlier this morning and I think my testimony in that regard will simply speak for itself and perhaps we might talk about it at a later time.

The details of that testimony and the National Academy's related reports, I suggest, are very important but much too complicated to develop in any kind of fullness here.

Let me simply conclude by coming back to my original point, which is that it is congressional participation that seems increasingly to be a very important ingredient for the followthrough on management initiatives. As Mr. Anderson indicated a week ago from the GAO's point of view, this is a time of remarkable ferment in the Federal management field. As Mr. Lilley suggested, it may also be the case that the time is ripe for some successes that will survive. If both of those perceptions are right—and I think they probably are—and if it is also the case, which I think is the consensus verdict, that over the past couple of decades there has been a continuing deterioration in the ability of the Federal Government to do well those things that it does, that all of us expect that the Federal Government ought to do, then it also is the case that the issues in the Federal management improvement arena are important ones—important enough to warrant the continuing involvement and from my point of view enormously increased involvement of the Members of the Congress.

Thank you very much.

Senator BINGAMAN. Thank you very much.

Picking up on Dr. Grove's comment about middle managers and their importance, do we have an increased problem with regard to middle management in the Federal Government today over what we did a decade ago? Is this a group that, for whatever reason, is not being able to retain and attract the competent people that they need in order to carry out the functions of the Government?

Mr. WALTER. Senator, we have all seen a number of statistics about personnel turnover. I am not sure exactly how to read those numbers, whether they argue more people are leaving or arriving. I think the one point I would say and I hear a lot of talk about this question at the National Academy, the basic competence of the Federal work force is remarkable. The question is not whether they are competent but how to capture their enthusiasm and their energy, how to structure a working environment that rewards performance rather than hunkering down. I think you are to be commended to ask a number of people here today to make some suggestions on how to do that.

I agree with almost everything that has been said. If you ever can consummate the merger of the Fortune 500, you still would have an enterprise substantially smaller in any way you want to measure it by comparison with the Government of this country. When you start talking about the question of how you energize the middle managers of Government, you are talking about an enormous undertaking and it seems to me Mr. Grove hit it dead right when he said that it probably has to be done unit by unit and agency by agency.

On the other hand, we suggest in a number of publications we made available to the committee that there are some Government-wide initiatives that can be developed with considerable success and especially if we can induce, persuade, and cajole the Congress into participating in those initiatives.

Senator **Bingaman**. As far as the involvement of Congress, when you and I were talking before the hearing, you indicated historically the role of Congress is to criticize the executive and not to encourage it. I think perhaps that is even more the role of the politician than it is the role of Congress.

Are you essentially urging that the Congress do a better job of oversight, on a continuous basis, of various initiatives that are begun in the executive branch or, on the other hand, are you suggesting that Congress can actually do something through legislation or otherwise to bring about these initiatives and bring about the followthrough? To be charitable, I know Congress does a spotty job with regard to oversight. Are you suggesting we do better in that or any other area?

Mr. **Walter**. The first thing, Senator, that I would like to do is agree with the comment that you did make to me before the hearing; that is, we would all benefit immensely from a diminished level of micromanagement. I have been fascinated at the National Academy in what seems to me to be substantial turnaround from an attitude that you and I both know—that Congress ought to stay out of our territory, the kind of turf problems. That is beginning to diminish at a really remarkable rate and I find that wonderful.

Let me cite simply the success in the procurement field, as an example. In 1969, Congress established a strong bipartisan Commission on Executive Branch Effective and Efficient Procurement—1969. One of the recommendations of that Commission was to create within the Office of Management and Budget an Office of Federal Procurement Policy. It took a long time to do that. Congress kept at it. Without having been here, I have learned that was a congressional initiative. It is now a functioning office. They have enjoyed, even in this last year, some remarkable successes. Don Sowle who is the Administrator of the Office of Federal Procurement Policy was, in fact, the staff director of that bipartisan congressional commission. That is 15 years of patient progress in the field of procurement reform—but Congress didn't give up on it, they kept the hearings going, they kept the oversight going, they kept a policy goal in mind and they didn't let the executive branch off the hook. Gradually the coming together of both branches of the

Government has produced a degree of improvement that I think almost everyone will testify is really quite remarkable.

It seems to me that the framers of the Constitution didn't set up a system that was designed to give everybody somebody else to blame. It seems to me they probably set up a system in which everybody was instructed—the language is pretty spare—was instructed to try to work together with everybody else in the system and that is what I am trying to suggest. If you look at management questions, they are part of policy. Take, for example, today's debate about tax reform. I testified last week before a subcommittee of the Senate Finance Committee. In the course of reviewing the endless set of proposals for tax reform, you ought to take a look at and compare the administrative consequences of the adoption of those separate alternatives to see what might be the consequences on the Internal Revenue Service, what might be the consequences in terms of cost of compliance to the taxpayer—the management implications are part of the policy. They are not somehow separate cubby holes. You have to raise the management questions at the same time you are considering contending policies. If you don't, you then turn it over to the executive branch and say you go do it, then if it doesn't do it, you come back and have oversight hearings and everybody starts to disagree about what the original instructions were, and they really were not clear ones.

I would say the process is to consider the management consequences of contending policies in the legislative process at the front end—not abandon them until the implementation goes wrong.

Senator BINGAMAN. I can give you another excellent example of the problem you are describing. Two nights ago, at 2 a.m., we were doing the final language in the defense authorization bill on providing medical benefits to divorced spouses of the military. We had written out one set of proposals and by the time we got it compromised down to something we could get signed on, we had created something which I certainly don't want to have to particiate in implementing. You are going to have six different colored ID cards, depending upon when you were divorced and how long you had been married and whether your husband was in the States or elsewhere when you were married.

It is going to be an administrative nightmare which I don't really think the policy goals justify us creating. I think we will be back next year trying to clean that up. That is a small example of the same thing you are referring to. Let me ask one other question.

Dr. Ouchi suggested that there is very little money available or attention given to organizational or managerial research by the Federal Government. This is an area that needs additional funding and additional attention. I would be interested in your views on that.

Mr. WALTER. A simple answer: I agree with everything he said. The National Science Foundation has essentially abandoned this field. That seems a shame to me. I am only modestly aware of the naval funding that exists. To the best of my knowledge, executive branch funding for basic organizational research is very slim at the present time. I simply endorse what Professor Ouchi said.

[Mr. Walter's prepared statement follows:]

STATEMENT OF

J. JACKSON WALTER
PRESIDENT
NATIONAL ACADEMY OF PUBLIC ADMINISTRATION

BEFORE THE

SUBCOMMITTEE ON CIVIL SERVICE, POST OFFICE AND GENERAL SERVICES

OF THE

SENATE COMMITTEE ON GOVERNMENTAL AFFAIRS

Good morning.

As President of the National Academy of Public Administration, I appreciate the opportunity to participate in this Subcommittee's hearings on the improvement of governmental management. You are considering issues that correspond to those that led to the establishment of the National Academy in 1967 and in recognition of which you in the Congress granted a federal Charter to the National Academy earlier this year.

Thanks in very large measure to the sponsorship of Senators Roth and Eagleton, the Chairman and Ranking Member of the Committee on Governmental Affairs, and of Senators Stevens and Bingaman, the Chairman and Ranking Member of this Subcommittee, the National Academy's federal Charter legislation passed the Senate unanimously late last winter and was signed by the President on the 10th of April, 1984. Section 3 of that bill recites the objects and purposes of the National Academy, as follows:

> ... (1) evaluating the structure, administration, operation, and program performance of Federal and other governments and government agencies, anticipating, identifying, and analyzing significant problems and suggesting timely corrective action;
>
> (2) foreseeing and examining critical emerging issues in governance, formulating practical approaches to their resolution;
>
> (3) assessing the effectiveness, structure, administration, and implications for governance of present or proposed public programs, policies, and processes, recommending specific changes;
>
> (4) advising on the relationship of Federal, State, regional, and local governments; increasing public officials', citizens', and scholars' understanding of requirements and opportunities for sound governance and how these can be effectively met; and
>
> (5) demonstrating by the conduct of its affairs a commitment to the highest professional standards of ethics and scholarship.

I am pleased that this Subcommittee has invited two other Members of the National Academy, Bradley H. Patterson, Jr., of The Brookings Institution and President of the American Society for Public Affairs, and Louis J. Gambaccini of the Port Authority of New York and New Jersey, one of the founders of the Center for Excellence in Government and now one of the Center's Trustees, to participate in these hearings. Brad and Lou are leading figures in the public administration community and represent proof here today that the greatest assets of the National Academy are its Members.

I wanted to participate in these hearings in order to make one simple point: while the executive branch of the federal government can take, and in fact now is taking, steps toward improving its own management, truly significant and successful strides in this direction will occur only if the Congress becomes a full participant in the public management improvement arena. It's easy to give evidence in support of my simple point; let me cite but two items:

- Early in 1983, the National Academy's Panel on the Deregulation of Government requested the General Accounting Office to evaluate executive branch management improvements during the decade of the 1970s in an effort to discover the ingredients of their success and failure. In part, the GAO report concluded that Congressional attention and concern often has been necessary to focus and sustain attention on neglected areas of management reform, to say nothing of those instances (e.g., the civil service laws, the procurement laws and the inspector general proposals) in which an explicit statutory mandate was absolutely necessary to permit reform to occur.[1]
- To elaborate on one of the examples from the previous paragraph, procurement reform is an excellent case in point. In 1969, Congress created a strong bipartisan Commission on Government Procurement "to promote economy, efficiency and effectiveness in Executive Branch procurement matters." The Commission's December 1972 report made 149 major

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[1] "Selected Government-Wide Management Improvements—1970 to 1980." U.S. General Accounting Office, Washington, D.C., 1983. (GAO/GGD-83-69).

> recommendations, including creation of an Office of Federal Procurement Policy ("OFPP") with a permanent staff in the Office of Management and Budget. This report led in turn to Congressional backing and statutory recognition for OFPP. OFPP for its part has stabilized the procurement reform initiatives of the Executive Branch and has determined a set of targets to pursue. It is particularly good to note that Don Sowle, the current OFPP Administrator, was the staff director of the 1969 Commission—in Don's present work and the recent successes of OFPP we can see 15 years of patient progress that offers eloquent testimony to the value of continuing Congressional involvement in a specific executive branch management reform.

As testimony in last week's opening session of these hearings by the GAO's William Anderson made clear, this is a time of ferment in the management reform field. It may, therefore, be a time when sustained Congressional involvement in government-wide management initiatives could achieve long-lasting successes. If you believe what seems to be the consensus verdict—that over the past two decades there has been a continuing deterioration in the ability of our governments at every level to do well what most of us continue to say and believe they must do in our own best interests—then it also is time for sustained Congressional involvement because the issues truly are very important.

While I do have in mind a large turnaround in the conduct of executive: legislative relations, I am not here urging the major systemic changes being reviewed by the Committee for the Constitutional System that Lloyd Cutler, Douglas Dillon and others are organizing. The framers set up a system that requires everyone in it to pay close attention to, and work with, everyone else—not a system that gives everyone in it somebody else to blame. Cooperation and coordination has to be the lesson of the spare language and sparse instructions left to us by them.

Further, by focusing on the potential benefits of increased Congressional participation in public management activities, I do not mean to ignore the extraordinary and largely unforeseen role of the judiciary on just these same issues. The National Academy's strong research commitment in the field of law and administration underscores the importance we attach to it.

But I certainly am urging this Committee to use the opportunities that come its way to demonstrate and pursue the goal of substantial Congressional attention to and participation in important government-wide management issues. Two such opportunities shortly will present themselves, namely, the confirmation hearings that this Committee will hold regardless of the presidential election results for the posts of Administrator of the General Services Administration and Director of the Office of Personnel Management. There is now a vacancy at GSA and the Civil Service Reform Act provides a statutory four-year term for the OPM Director.[2/] That is, the Committee on Governmental Affairs next winter will have confirmation hearings for the heads of at least two of the three central management agencies. Let me suggest here that much of the National Academy's recent work concerns particular issues as well as general themes that might well be appropriate for consideration at these two confirmation hearings.

[2/] 5 U.S.C. 1102(a).

First, at the level of rather particular issues, let me offer some comments on the recruiting and career development of government officials, both civil servants and presidential appointees. It's a truism to say that any enterprise depends upon its people to make it work. Against the background of that rather prosaic observation, please consider two special problems: the selection of college graduates for the federal civil service and the recruiting by the President of his top political leaders.

- In a March 1984 Report, a National Academy Panel examined the problem of the "PACE" examination and the consent decree.[3] Current civil service law requires the government to draw its career employees from all segments of society and to select them according to the ability, knowledge and skills required. These are controversial, perhaps contradictory, directives. In 1981, the government's principal instrument for selecting many entry-level professional and administrative employees, the so-called "PACE" examination, was eliminated after it was challenged in court on the ground that it discriminated against members of minority groups. Since then the federal Office of Personnel Management and the various agencies have been trying to develop high-quality, non-discriminatory personnel selection methods. By all accounts, no solution has been found that satisfies either the government agencies, members of the challenging groups, or candidates for public service careers.

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[3] "The Selection of College Graduates for the Federal Civil Service." Report by a Panel of the National Academy of Public Administration. Washington, D.C., March 1984, 13 pp.

There is no systematic, nation-wide recruiting of college graduates for federal civil service careers underway presently. The damage, in terms of the reasonably foreseeable continuing deterioration in the capacity of the federal government to do well those things that it is charged to do, seems unavoidable unless this situation is remedied. The odds are that Congress is an essential part of any real cure.

- Just a year ago, the National Academy released its primer on the presidential appointments system, entitled America's Unelected Government.[4] This book is about how the in-and-outers come in, whether for a first or a repeat tour, and it suggests that we have gone to great lengths to make it difficult for our system to work and to govern well. The evidence is compelling:
  - The unrelenting anti-government rhetoric of our past two national campaigns boomerangs when many prospective presidential appointees decline job offers because of a reluctance to join up with such a discredited organization as the federal government.
  - The media's coverage of a president's personnel recruiting efforts, particularly during the postelection transition crunch, achieves a circuslike quality that trivalizes the central political and strategic issues that are at stake.

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[4] America's Unelected Government: Appointing the President's Team. Ballinger/Harper & Row, Cambridge, Massachusetts, November 1983, 128 pp.

- Too many private employers not only discourage their best managers from taking off for periods of government service but also design compensation and promotion systems that emphasize this policy of discouragement and reinforce the characterization of the federal government as a natural adversary of American business.

- Very little is done to teach new appointees the ropes, to work out with them the differences in standards of conduct appropriate for public as opposed to private officials or to school them in the best techniques for performing the jobs in which they will serve.

- Because not enough careful analysis and recording has been done of the in-and-outers process—of the presidential personnel recruiting and appointing system—a wasteful, even embarrassing, 'reinvent-the-wheel' quality characterizes most postelection transitions.

The 22 Recommendations in America's Unelected Government may not be the most perfect prescriptions but they certainly do demonstrate that this complex, politically super-charged process is susceptible of improvement. Improvements are mandatory if the president is to exercise well his responsibility to appoint men and women whose competence, integrity, creativity and political sensitivity will serve the nation well.

Mr. Chairman, in every report that the National Academy has issued in the two years that I have been its President there has been concern for the caliber of presidential appointees as a key management reform issue. To quote from the Foreword to Revitalizing Federal Management [5] by the Panel Chairman, Dwight A. Ink:

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[5] Revitalizing Federal Management: managers and their overburdened systems." Report by a Panel of the National Academy of Public Administration. Washington, D.C., November 1983, 68 pp.

> To be effective, however, most departments and agencies, as well as the Executive Office of the President, must give far higher priority to managerial experience in the recruiting and appointing of political and career leadership to posts with responsibility for operating multimillion dollar programs and supervising many thousands of employees. Otherwise, no amount of administration reform will make much difference.

America's Unelected Government argues rather strenuously that there can be no lasting solution to these appointments problems absent Congressional participation.

Assuming—only for the sake of my testimony because the assumption is false—that these two personnel recruiting problems were solved, consider now the follow-up matter of career development. The federal government doesn't do this very well—but it ought to. The federal government is an enormous enterprise. In a political sense, its size, diversity, and responsibilities make it the most demanding of all governments. In a management sense, it dwarfs the Fortune 500. The President as Chief Executive Officer of the federal government therefore needs all the help he can get. He needs more leadership, not less. He needs it both from his own appointees and from career people.

The quality and leadership capability of political appointees is determined largely by the appointment process. Development for these executives during their service in government should concentrate on helping them get up to speed most effectively when appointed. America's Unelected Government develops this theme somewhat further as, let me hasten to add, have numerous White House personnel such as Craig Fuller at the present time and my colleague here, Brad Patterson, under President Ford. Perhaps the finest extended treatment of this question of on-the-job training for political executives was an article by another National Academy Member, Rufus E. Miles.6/

6/ Miles, Rufus, E. Jr., "The Orientation of Presidential Appointees: A Continuing Challenge," Public Administration Review 18: 106-112. 1958.

Development of top career people is by definition an internal federal responsibility and therefore must be looked at as a long term proposition which involves not only the quality of the talent but the government's institutional resources and processes for dealing with this responsibility. Most of the current executive development problems cluster around career leadership issues. What are they?

- o Career executives are too static. What has often been interpreted as political resistance often is no more than a reflection that the whole environment in government builds in conservatism, passivity, and resistance to change. If political leaders want greater long-term responsiveness from top career people, they must make greater investments of effort and must establish more effective institutional mechanisms. Certainly executive development is a crucial element in developing responsiveness to change.
- o Agencies have, at best, shabby executive development performance records.
- o OPM has not been a leader. It has issued policy statements which advocate better executive development but in fact has left this arena to the agencies and has never played a strong leadership role on behalf of the President. OPM is responsible for the operation of the Federal Executive Institute, which is the principal federally owned and operated institution committed to executive development and education. The FEI should be the keystone for any improved executive development strategy for career leaders.

In its May 1984 Report to William D. Ruckelshaus, Administrator of the Environmental Protection Agency, a ten-person Panel of the National Academy chaired by National Academy Member Frank C. Carlucci and including John W. Gardner and two other National Academy Members, found that the Agency "...must undertake major efforts to improve the management of its people. We cannot state this conclusion too strongly, for it should impart a real sense of urgency in adopting programs to correct these weaknesses."[7/] The Office of Human Resources Management that EPA set up to implement this Panel's recommendations has made a good start. I believe that the impediments being confronted by that new EPA unit as it seeks to conduct workforce planning, SES management and operations, and Agency-wide career development present a very special test and demonstration project that this Subcommittee should have firmly in mind during any confirmation hearing for a Director of the Office of Personnel Management.

Second, at a somewhat less particular level, some observations on the roles and the competencies of the central management agencies. The Grace Commission touched on these questions and I commend that analysis to you. At the National Academy, our November 1983 Panel Report, Revitalizing Federal Management, did so as well in ways that warrant your careful consideration in advance of these two confirmation hearings. Above all else, I want to emphasize that this Report faithfully reflects the fact that federal managers—those bureaucrats whose performance has been the butt of so much political rhetoric

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[7/] "Steps Toward A Stable Future." Report by a Panel of the National Academy of Public Administration. Washington, D.C., May 1984, 17 pp. Quote at p. 7.

over the past eight years and more—typically regard themselves as captives of a series of cumbersome internal management systems that they do not control. These systems, the Panel found, have tended to become so rigid, stultifying, and burdened with red tape that the capacity of the federal managers to serve the public on a responsive and low-cost basis nearly has been destroyed. To remedy this travesty, which is so misunderstood and misrepresented by so many, the National Academy Panel urged very forcefully that the program managers must be given the kinds of tools, resources, political support and accountability systems likely to lead to better performance instead of hunkering-down.

To get there from here, given the highly centralized management systems of the federal government, requires central management agencies that are strong enough and confident enough of their roles to be able to rely upon and delegate to line program managers. At present, the Panel found that the central management agencies were too weak to sustain a continuing high level of government-wide reform.

Take, for example, GSA's responsibilities in the computer field. GSA is expected to be the operational manager of the government's data processing operations to include determining the agencies' needs for ADP as well as acting as their central procurement agent. This responsibility is based on the assumption that GSA can effectively control and manage over 18,000 medium- and large-scale computers located in over 4,000 sites around the world. However, there will be an additional strong tide of new, less controllable acquisitions in the near future. GSA is expected to carry out these responsibilities through either case-by-case delegations of procurement authority or by reviewing and approving annual procurement plans and proposals. It is simply unrealistic to believe that in the future GSA will ever be able to cover this enormous range of responsibility, nor is it likely that the Congress would approve the staffing levels which would be needed to do this work effectively. The functioning of the information resources management structure unfortunately has the high potential of becoming—if it hasn't already become—another layer of bureaucracy which would simply slow down what must be very swift future decisions about ADP planning and acquisition.

The Panel believes that the present highly centralized government-wide management system for information processing technology needs to evolve into a closer fit with a technology that is moving from large centralized hardware-oriented systems to widely decentralized systems designed to meet the unique needs of many individual users. Rapidly falling hardware costs and the use of micro- and mini-computers demands that management control be placed in the hands of users, particularly in light of the decentralized organization of the Executive Branch. The increasing diversity of users and applications designed to meet their information processing needs requires that agencies be given greater freedom to take advantage of the flexibility, memory, and access capabilities of modern information systems by encouraging the creative use of the technology. This means increasing the opportunities for program managers to learn about, manage, and control the information processing technology that supports their operations.

As the National Academy's Panel recognized, this situation requires long-term Congressional participation on a scale comparable to that of its procurement reform efforts but leading to very different institutional outcomes.

Finally, let me ratchet up the level of abstraction again in order to ask, rhetorically, what can be said to the opinion makers of America to persuade them that the administrative functions of the federal government—the personnel and procurement and budgeting and printing operations, to cite four examples—warrant the same intense scrutiny that editorial writers and think tanks and corporate strategists and others devote to issues of public policy? Part of one suggested answer, being developed now in a National Academy project being underwritten by Aetna, Exxon and IBM, and carried on at Harvard's Kennedy School by National Academy Member and Trustee Hale Champion and his colleagues, together with a larger review group of other National Academy Members, holds that program policy and management policy and operations are not separable cubbyholes and that a unifying theory is needed.

For example, consider today's debate about budget deficits and tax reform. As National Academy Member and Trustee Sheldon Cohen, former Commissioner of the Internal Revenue Service, testified last week before a Subcommittee of the Senate Committee on Finance, the various tax reform proposals—FAIR, FAST, VAT, GIT, UCT and on through the list of acronyms—ought to be compared in terms of their administrative impacts as well as on the basis of their relative progressivity or regressivity, impact on savings rates, revenue production, and so forth. In particular,

- o How do the competing tax reforms compare on administrative costs? Just how much will each tax cost to administer? Here, the focus should be on NET revenues.
- o How do the tax reforms compare in terms of staff and organizational demands? Will the Internal Revenue Service need more staff, more enforcement funding? The particular

concern is with any necessary reorganization. It is not enough simply to pass a tax without considering the potential impact on the IRS.

- How will the tax reforms be implemented? The Congress should be interested in both the ease and speed of implementation. The Brookings Institution's cash-flow tax, for example, would take three years to implement, with a complex array of transition formulas.
- What kinds of information and data will be needed to monitor and enforce the various tax reforms? Here, taxpayer confusion and paperwork demands ought to be the focus of attention.
- Can the various tax reforms be enforced? Some are easier to evade than others. A VAT, for example, has a much greater potential for tax-avoidance than a national sales tax. Since the IRS is ultimately responsible for this enforcement, it is a major issue in any comparison of administrative impacts.

A fair, simple tax can be neither fair nor simple if it cannot be administered. If government cannot administer a suggested new scheme of taxation, there is no reason to raise public expectations that we finally can reform our tax code.

But my intention here is to close the circle, to return to my simple point, to try to urge that Congressional participation in the federal government's management problems is an important thing for the Congress to do. Is the need to reform public management a significant enough one in our national life to command the priority attention and effort it certainly will require? Size alone could answer the question. We lately have given a quite remarkable amount of national attention to improving the management of our domestic steel and automobile industries, and their importance warrants such attention. But the size and complexity of those industries, whether one considers either the numbers of employees or the total dollars involved, do not begin to approach those of the public sector. Public management today directly employs about 18 million people in this country and deploys about one third of our gross national income. An ultimate merger of the whole Fortune 500 would fall well short in size and complexity. Size and scope, however, aren't what is ultimately compelling about the need to give the reform of public management one of the places at the top of our national agenda. What is still more compelling is the need to make sure that our great national policy debates result not only in sensible decisions, but effective action. All too often, the purposes of policy are lost in planning or execution, or in failing to understand the difficulties of success in the first place. What happens in our efforts to avoid international disaster in the Middle East can turn as often on a simple failure to set an adequate defense perimeter for a Marine detachment in Lebanon, or to prepare a rescue force in Iran for foreseeable contingencies, as on mistakes in judgment in the White House or in Congress. Or on the domestic scene, what happens in our efforts to open full access to our health system to the poor and aged turns as much on skillful and dedicated management of our governmental health programs at every level of government as on our policy intentions and determinations. It is, in fact, not too much to say that the basic promise of a democratic society cannot be realized without good governmental performance. Our societal premise is that government is the sole instrument of action accessible to all citizens on at least a theoretically equal basis. If that instrument is blunted and ineffective, it is not just the credibility of the government that is damaged. It is also the credibility of the democratic process. Has anybody looked at voting trends and political participation figures in this country lately? Don't just blame the candidates or television. The stakes are indeed high when it comes to dealing with our public management problems, perhaps as high as the ultimate survival of the system which has served us so well for most of our two hundred year history, but is no more assured of immortality than any other set of human institutions.

Thank you.

Senator **Bingaman**. All right, with that I will adjourn the hearing.

We appreciate everybody coming. I think we have got some good testimony. We hope we can follow up on some of it so Dr. Grove's cabdriver will be proven wrong.

[Whereupon, at 12:21 p.m. the hearing was adjourned.]

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

STATEMENT BY DWIGHT INK
FOR
SENATE SUBCOMMITTEE ON CIVIL SERVICE,
POST OFFICE AND GENERAL SERVICES
SEPTEMBER 19, 1984

I very much appreciate the opportunity to present my personal views on the basic issues involved in the difficult task of improving the management of the federal government. I hope the Committee will pursue this area vigorously during the next session of Congress.

In recent decades there has been more nationwide criticism of the federal bureaucracy than any other single element of American society. Politicians find antibureaucrat speeches effective, and we all know that the bureaucracy is a favorite target of editorial writers across the nation. Political leaders hear many horror stories from their constituents about the cumbersome way in which the government functions. These constituents seldom are in a position to understand just what causes the problem, but the bureaucrat is the most visible and tangible target and therefore in the public mind tends to symbolize what is wrong with government.

I would suggest that the views of the general public are surprisingly accurate with respect to the shortcomings of our bureaucratic systems. I would argue most vigorously, however, that the public, and to a large extent their elected leaders, fail to understand much of what causes our governmental problems. In my view, this limited understanding - often a misunderstanding - of the basic causes, results in our permitting much of our governmental efforts to move precisely the wrong direction from the standpoint of good management. Management theory does not impress me as dealing effectively with a number of the more fundamental causes of what ails so much of our federal administrative system. In part, this is because the size of the federal government, the sophistication and power of nationwide interest groups, and the complexity of governmental activities, all transcend what most writers are able to deal with.

Unless we change our priorities and trends in both the Congress and the Executive Branch, I do not believe we will improve governmental operations to a degree that is apparent to the voters, or to a degree which begins to approach what members of Congress and the President want. In some respects it will grow worse.

First a quick look at several causes of the notorious governmental red tape which I believe has contributed greatly to federal management difficulties and its negative image.

A few years ago it became apparent that many of the categorical grants established to respond to the urban crises of the 60's were so entangled in costly and slow moving red tape, they often lacked the capacity to respond to those whom the programs were intended to help. Despite their good objectives, as the projects became mired in complicated federal requirements, the multitude of process problems further undermined the confidence of people in the ability of their government to function.

Over 400 programs were analyzed to gain the information needed to streamline them; a massive review. In the course of these reviews it began to emerge that one factor above all others stood out as the most common cause of red tape. It was the pervasive interaction of special interest groups with Congress and the Executive Branch.

I should stress that I do not regard special interest groups as evil. Indeed, most of us belong to them. Without these interest groups we would not have achieved most of the social and economic progress this nation has enjoyed. In recent years, these groups have spearheaded the battle for civil rights, for medical research, and for environmental protection. Because they have had to fight for these victories, the interest groups understandably want to preserve these gains with protective procedural fences and they want to target the funds through the use of detailed guidelines and special requirements. The problem is that these interest groups never take a look at the incremental impact of all these requirements. And no interest group, even if it wanted, could ascertain the total cumulative red tape imposed on citizens, state and local officials, and private businesses by all of their efforts through the years, especially when added to those requirements resulting from the efforts of scores of other interest groups.

Some years ago in OMB we were unable to fund the computer programming necessary to merely count these thousands and thousands of requirements. Yet we expected federal, state and local bureaucrats to know these requirements we could not count, and increasingly we then audited and investigated to make sure all the technicalities were observed. When public employees try to cut this of type red tape in the interest of responding to urgent public needs, they run a high risk of finding themselves in difficulty sooner or later. The system tends to confine thousands upon thousands of federal managers to a world in which processes, procedures, audits and investigations overshadow public service. Process also overwhelms substance in our system of rewards and punishment for federal employees. We find the federal manager far more the victim of our bureaucratic processes than their cause.

There are several troublesome ways in which special interest activity has contributed to governmental administrative paralysis for more than is generally realized. First is the horrendous growth of opportunities for litigation which create agency caution, delays and high costs of operation.

Second is the creeping inhibition on effective operation caused by exploitation by some aggressive reporters of the freedom of information and sunshine acts, legislation which was triggered by both interest groups and the press. Most people would agree that, used with reason, the public access provided by these statutes is very much in the public interest. Carried to extreme, however, the cost in staff hours, loss of candor and less effective internal communication can be serious, particularly for agencies and public corporations headed by a board. Whether or not one believes this cost is warranted by the benefits, these operational realities create an entirely different environment for action than one finds in a corporation. Strict enforcement is not conducive to the brainstorming or the exploration of wideranging options which are considered important in the business board room. Agency memos are often left unwritten or the issues obscured, leading to sometimes disastrous breakdowns in communication, especially among those new to government. In addition, the regulations on advisory committees have been so tightly interpreted that they reduce the extent to which many agencies seek outside views and advice, precisely the opposite direction from that in which we should be moving.

A third result of interest groups is the fact that all these externally initiated requirements and regulations create an enormous breeding ground for the modern version of the green eyeshade auditors. Despite protestations to the contrary, I would estimate that nearly half of our program auditors spend the major part of their time on the inconsequential. The existing system draws them into lengthy reviews of whether minor technicalities have been satisfied rather than whether financial management is sound or in flagging ways in which important management improvements can help achieve program goals. The more basic problems are often lost in small details. Their recommendations generally add to our administrative overburden, rather than point the way to more effective and less costly ways of operating. The costs of administering these additions to our complex systems are rarely measured, and therefore we seldom stop to think through whether we are spending $10 dollars in review and added red tape costs to correct a $2 dollar problem.

The reward system now works against balanced and objective inspector general reports. Congress and the press frequently measure their worth by how many negative items they contain (often caring little whether they are significant, and at times the press not caring greatly whether allegations are proven), with little attention paid to reports on positive agency actions or results. Dempsey in HUD and Morris, formerly in HHS, are among those who have demonstrated that an inspector general can be a very positive factor in improving departmental management without compromising one's independence, but the basic IG framework tends to push these people in a different direction and it takes considerable fortitude and dedication for IGs to buck this tide. I am also concerned about accountability, since IGs seem to report to two bosses, Congress and the departments. If, as many inspector generals seem to believe, their ultimate boss is the Congress, I would suggest that Congress give the GAO a stronger role in providing technical direction to inspector generals. I would also strongly urge that departmental leadership be given their own capacity to delve into management problem areas on a timely basis. It is very difficult to prevent problems from growing worse if a manager has no capacity on his or her own to quickly check into a problem area, a capacity which has been largely taken from managers by the fact that inspector general staff do not have to respond to the needs of management, and because the budget process tends to strip managers of this important facet of responsible management. Again there is nothing comparable to the IG role in the private sector.

Another difference between the task of the federal manager and the public manager is the governmental red tape mentioned earlier. No private corporation would tolerate the 8,000 pages of personnel regulations with which we burden our federal managers and employees. We have made the competitive procurement process so complex that we have unwittingly created a great incentive to avoid competition by manufacturing rationales for sole sourcing. Acquisition of office space is a major paperwork challenge. Some of these additional procedures are necessary for public accountability and equity. Most of them detract so heavily from the capacity of government agencies to respond quickly and inexpensively to public needs that they should be cut drastically.

For many years I have been struck by the fact that in times of crisis government is able to do many things it cannot do at other times. At first I simply attributed this to the willingness of people to work together when faced by a common threat. This may account for much of the quick action we typically see immediately after a natural disaster, for example. But as the immediate response actions, such as life saving and providing temporary shelters, begin to make way for the longer range rebuilding, we find government often is able to continue to make decisions quickly and to implement rapidly. Roads are rebuilt, water and sewer systems replaced, harbours reconstructed, and large numbers of structures repaired in a fraction of time usually required. Decision making speeds up tremendously, and procedural red tape is often cut drastically. This was dramatized most vividly in the cooperative response of local, state, and federal government agencies to the disastrous Alaskan earthquake in 1964. President Johnson concluded quickly that the economy of the new state could not survive a business as usual government response. The results were unprecedented in speed because federal processes were largely set aside.

We also find in these crisis circumstances the emergence of a positive attitude of many people toward their government, a government which they see as suddenly capable of action. We know from such experiences that we simply do not need the maze of federal internal regulations with which we handicap ourselves. To the contrary, some of us have found that agencies function more cheaply, more quickly and generally more effectively when managers are free to manage. In addition, a labyrinth of complicated procedures provides a haven for those who are adept at using technicalities to abuse the integrity of the system or circumvent the legislative objectives.

There is a persistent myth that if federal managers could be replaced with those who would run agencies like a business all would be well. This view fails to recognize that there are some very important differences between operating a business and operating an agency.

As an agency head, for example, I had many millions of stockholders; every voter and every taxpayer in the country, each one of whom had a right to publicly question and criticize whatever I and my managers did or said from day to day.

My boss I rarely saw. The organization of the federal government has become so fragmented it is physically impossible for the President to have a meaningful dialogue with each agency head.

My board of directors had over 500 members. They were Senators and Congressmen, each strong figures with diverse philosophy and generally sharply conflicting views as to what I should do, and where my priorities should be.

Public accountability is also very different from corporate accountability. Unlike a private business, every action a government official takes, and every action one does not take, may appear within days, hours, or minutes on television, perhaps nationwide. And as any member of Congress knows full well, the news story generally has to be told in a negative way in order to create readership, becoming a story replete with inuendo and motivations which never occured to the official involved.

One of 25 to 50 documents a public manager may sign during a typical day and to which one can squeeze only an average of five minutes of attention may greatly upset some citizen in Iowa or Texas - the constituent of some diligent member of Congress and a friend of the local editor - after which the official and his or her staff may spend hundreds of hours dealing with that 5 minute action. The auditors, investigators and reporters may then spend days reviewing in detail the circumstances of the 5 minute action. If the resulting attention level is reasonably high, the likely end result will be the birth of a brand new regulation, further limiting the ability of a public manager to act, and adding to the hidden cost of government.

There are personal and professional risks in government of a type which one rarely encounters in business. Businesses expect their managers to take risks and to make some mistakes in the process. If the correct decisions outweigh the incorrect by a substantial margin, the private manager is advanced. If not, the problems are discussed by a small group of the firm's executives, and if the mistakes are too numerous or serious, the manager is eased out or reassigned with little or no press attention. When mistakes occur in the public sector, they tend to become public events, and one is likely to be subjected to public criticism over an extended period and a series of well-advertised investigations. The ensuing news stories can be very traumatic for one's wife and children, as well as devastating to one's career even if no wrongdoing is involved. At times the problem may really be no more than a mistaken press report or a policy disagreement, yet the family strain may be intense and prolonged. Risk taking and innovation do not thrive under these circumstances.

A serious shortcoming in the federal government is the frequent failure of political leadership to use much common sense skill in dealing with the career service.

Among other things, we frequently impose on careerists and on the taxpayers, political appointees who have had no background to prepare them for the business of running multibillion dollar programs and managing tens of thousands of employees. We would never dream of looking to a nonengineer to design an airplane or a nonpilot to fly an airliner. How many private companies have chosen chief operating officers who have had no business experience? Experience is taken for granted as essential for responsible assignments in other important fields; why should we impose on the American people managerial amateurs in the appointing of many men and women in key government posts? Presidential loyalty is essential for political appointees, but it is a grave mistake to believe that loyalty alone is sufficient. Too often, the appointee stays about long enough to begin to learn the job and how to work with the careerists when he or she finds it impossible to make the financial sacrifice required to stay in office. The appointee leaves, eventually another managerial neophyte is appointed, and the cycle is repeated.

A number of these appointees have publicly campaigned vigorously against the bureaucrats, the very people on whom they and the President will have to depend to carry out their programs. Again, this is in contrast to most modern business executives who strive hard to motivate company employees. Here is one of those instances in which we do have much to learn from industry.

Another problem. We established a merit pay system for federal employees - a move I regard as sound - and then failed to provide the funds to make it work. By definition, without meaningful dollar incentives, merit pay is not really merit pay.

The Civil Service Reform contemplated a greatly increased emphasis on the positive aspects of personnel management by the new OPM and the various departments, as well as a determined attack on existing disincentives to federal employee morale and productivity. Employee development opportunities, for example, were to be given a strong boost. Training is given a very important role in most corporations in contrast to the extremely limited and rather haphazard training efforts found in most nondefense agencies of government. The Civil Service Reform sought a reversal of this sad state of affairs. Great emphasis also was to be placed on personnel research and pilot projects such as one finds in the more progressive corporations.

The fact is that very little of this has occurred, and in some respect we have lost ground. We have moved forward with the legal skeleton of Civil Service Reform, but we have failed to give it flesh and blood, except in a few agencies with progressive political and career leadership. We have not really breathed life into the opportunity this reform gave us for enlightened personnel management. In my view we have not kept faith with our public service men and women, and they deserve better.

These are some of the reasons I believe government does not work as well as we believe it should. Reasons why it is ridiculous to fantasize about straightening out the bureaucracy by simply replacing the "foot dragging career bureaucrat" with innovative risk taking business executives who can run an agency the way they run a business. What, then, should we do?

The answer is not in trying to remake government in the corporate image, but rather to adapt and modify certain business practices to fit the special responsibilities and public accountability that go with public service. The private sector attention to the cost of overhead, for example, is a constant reminder of the need to pare administrative costs and avoid costly delays. Yet, the federal government does not even measure true overhead and, therefore, overhead trends are little used as an effective management tool.

The answer is certainly not in continuing to denigrate the federal bureaucrat, but in reaching out to the career service and providing the kinds of positive incentives for performance and excellence which are so essential for teamwork and high productivity in achieving national goals and objectives. I can assure you that the vast majority of our careerists will respond to positive leadership which explains its goals and treats its staff with respect as important men and women whose experience is valued and whose views are welcomed. The notion that they will undermine such leadership wherever they disagree has been proven false under the most demanding tests of performance.

Certainly the way to improve government is not in further centralization of administrative procedures, or the addition of more debilitating checks and balances. Rather, as a recent Panel of the National Academy of Public Administration stressed, we need to free the federal manager to manage, to innovate, to act. Unfortunately, we rarely remember this as we continue to "solve" problems through a continuous growth process of adding administrative barnacles. OMB deserves credit for steps taken to curtail growth of administrative burdens on business and the public, but the problem of unburdening the federal managers also needs to be addressed.

We have had little luck in cutting back on existing red tape in internal administrative processes, such as personnel and procurement. We tinker more than we reform. Our traditional approaches of looking at individual steps in a process should be replaced with a zero based approach such as was used some years ago in the grant administration area. "Reform 88" under the vigorous leadership of Joe Wright is moving somewhat in this direction and provides an excellent vehicle for an expanded attack on excessive administrative processes that hamstring federal managers. I would urge a major review of the extent to which we might be able to apply in normal times the management approaches which move so much more quickly, and frequently more inexpensively, in time of emergency.

We need to change our process for recruiting and appointing subcabinet officials. We must establish an entirely different priority for successful operating experience in making political appointments at the level of under secretary and below. I would suggest that appointing those who have the competence to make government work effectively in carrying out campaign promises is not only better government, but has a far greater political payout than rewarding political contributors with posts they are not equipped to handle.

I would also urge the establishment of an Office of Federal Management in the Executive Office of the President through which the President can provide effective leadership in strengthening management governmentwide. Joe Wright and Arlene Triplett of OMB deserve great personal credit for their efforts, but OMB is necessarily preoccupied with budget and economic issues, and is not the best home for this vital function.

In conclusion, I question the emphasis on new theories of management to make government work, although it may be an interesting pasttime for some members of academia. I believe we know how to make government function well. The underlying problem is that we give public management a very low priority in both the legislative and executive branches of the federal government, we establish major disincentives and obstacles for our public servants, and we simply do not do what experienced managers know how to do, and do very well.

Experimentation, pilot operations and demonstration projects are critically needed to help us improve on what we already know. But we should not await revelations of new truths before applying badly needed management methods and practices which have been already sufficiently tested to ensure major advances in reforming sluggish and costly governmental operations.

STUDY BY THE STAFF OF THE U.S.

General Accounting Office

Selected Government-Wide Management Improvement Efforts--1970 to 1980

This study summarizes 12 Government-wide management improvement initiatives undertaken from 1970 to 1980 and presents observations which could be useful in considering how to better sustain future initiatives. GAO's observations include the need for time to develop and institute major management reforms; lack of consensus about what constitutes good management and budget issues; and poor implementation planning.

Although the study does not suggest a most appropriate structure or process for better sustaining management reforms, it offers for discussion several not mutually exclusive proposals made by participants in and students of Executive Branch management.

GAO/GGD-83-69
AUGUST 8, 1983

UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

GENERAL GOVERNMENT
DIVISION

PREFACE

The National Academy of Public Administration's (NAPA) Panel on Deregulation of Government Management proposed, and GAO agreed, to participate in the Panel's exploration of alternative mechanisms and processes for sustaining Government-wide management improvement initiatives. This staff study provides a background and focus for discussing various alternatives and options for improvement.

We limited our study to developing brief descriptions of 12 major management improvement initiatives undertaken from OMB's inception in 1970 through 1980, so we could provide a timely response to the Panel. Other initiatives, and a more in-depth treatment of the chosen ones, were excluded because of our tight time frame. The Reagan Administration initiatives were excluded because of their recentness.

A draft of this study was presented at the April 14, 1983, NAPA Panel meeting to obtain its reactions and discuss options for change. The draft was then submitted for outside review by 13 senior past and present Government officials, all with significant experience in the Executive Office of the President. Their comments have been incorporated into the study.

We appreciate the time and efforts that these and many other people gave to developing this study and hope the results contribute to the current discussion on improving Government management.

W. J. Anderson

William J. Anderson
Director

EXECUTIVE SUMMARY

GAO staff have reviewed 12 Government-wide management improvement initiatives undertaken from 1970, when the Office of Management and Budget (OMB) was formed in 1970 through 1980. These initiatives included OMB management circulars, major special projects and committees, and public laws mandating major management activities.

This paper summarizes these initiatives and presents observations which could be useful in considering how to better sustain major initiatives in the future. Some of our observations are that:

--Time is required to deal with the complexity of reform issues and to institute change in an entity as large as the Federal Government. Time is something most Presidential initiatives have not had, given the rapid turnover in Executive Branch leadership through the 1970s.

--No broad consensus exists about what constitutes good management in the Federal context, thus diminishing the legitimacy of OMB and other central agency criticism of, and advice to, agency managers.

--The record of ineffectiveness in linking management and budget issues calls into question the viability of the original OMB concept.

--All too often, initiatives are begun without careful and comprehensive implementation planning. The resulting record of implementation problems only contributes to a skepticism that any Government-wide improvement initiative can be successful, adding to the burden of building support for subsequent proposals.

--Continuity and dedicated resources appear to be important factors to consider in planning and implementing initiatives.

--A key to successful management reform may lie in demonstrating to the Executive agencies that OMB leadership, backed by the President, is truly behind the reforms.

--A base in statutory authorization appears to be helpful for management initiatives, even though OMB usually opposes this approach.

Although the record does not suggest a most appropriate structure or process for better sustaining management reforms, a review of the literature and discussions with practitioners developed several not mutually exclusive proposals. These include:

--Working within the current structure in the Executive Office of the President by lending support to specific initiatives already underway or planned.

--Fostering full implementation of the Federal Managers' Financial Integrity Act (P.L. 97-255).

--Supporting establishment of a commission for more effective Government.

--Advocating further strengthening of the OMB management function.

--Establishing a separate central organization to address management issues.

--Requiring by statute an annual President's management improvement agenda.

--Supporting the appointment of distinguished career personnel as under secretaries or assistant secretaries for management.

Following completion of our study, a task force of the President's Private Sector Survey on Cost Control issued a report calling for the establishment of a centralized Office of Federal Management (OFM) in the Executive Office of the President, adding expanded policy-making authority for financial management, personnel management, and management information systems to the budget, planning, and evaluation responsibilities that OMB now has. Key features of the proposal include contractual appointments of the OFM associate directors in charge of management improvement, budget and planning, financial management, administration, and human resources, with a direct reporting relationship of the General Services Administration and the Office of Personnel Management to the latter two associate directors.

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ABBREVIATIONS

AFMD	Accounting and Financial Management Division
ASMG	Assistant Secretaries for Management Group
BOB	Bureau of the Budget
COGP	Commission of Government Procurement
CSC	Civil Service Commission
CSRA	Civil Service Reform Act
DOD	Department of Defense

FAR	Federal Assistance Review
FMFIA	Federal Managers' Financial Integrity Act
FPCD	Federal Personnel & Compensation Division
GAO	General Accounting Office
GGD	General Government Division
GSA	General Services Administration
HHS	Department of Health and Human Services
HUD	Department of Housing and Urban Development
IG	Inspector General
IRM	Information Resources Management
JFMIP	Joint Financial Management Improvement Program
MBO	Management By Objectives
MSPB	Merit Systems Protection Board
NAPA	National Academy of Public Administration
NASA	National Aeronautics & Space Administration
OFPP	Office of Federal Procurement Policy
OIRA	Office of Information and Regulatory Affairs
OMB	Office of Management and Budget
OPM	Office of Personnel Management
PACMI	President's Advisory Committee on Management Improvement
PMI	Presidential Management Initiatives
PPSSCC	President's Private Sector Survey on Cost Control
PRA	Paperwork Reduction Act
PRP	President's Reorganization Project
SES	Senior Executive Service
USG	Under Secretaries' Group
ZBB	Zero-Base Budgeting

CHAPTER 1

INTRODUCTION

By letter of January 25, 1983, the project director of the National Academy of Public Administration's (NAPA) Panel on Deregulation of Government Management invited GAO to join with the panel in an exploration of alternative mechanisms and processes for providing sustained leadership on management improvements in the Federal Government. Specifically, GAO was asked to consider two questions.

--What has been tried in the past, and why did these efforts seem to work or fail?

--What is currently the most appropriate mechanism and process to meet the public demands for improved federal government management on a sustainable basis?

The literature on Government management improvement is extensive, and countless proposals for structuring Government-wide management improvement efforts have been made by distinguished practitioners and academicians. Given the recent history of management improvement and the many proposals made, we agree with the conclusion of the President's Advisory Committee on Management in its December 1952 report that "...there is no single, sure-fire, and practicable panacea to guarantee the improvement of management in the Federal Government." [1] This conclusion appears to be just as relevant in today's environment as it was 30 years ago. Nevertheless, we agreed to prepare this discussion paper to help focus the issues in contemporary terms.

OBJECTIVES, SCOPE, AND METHODOLOGY

Given the short time provided by the project's schedule, we concentrated our review on the period between the establishment of the Office of Management and Budget (OMB) on July 1, 1970, and the end of the Carter Administration. However, to gain perspective on pre-1970 Government-wide management improvement efforts we also reviewed some studies of the earlier period. [2]

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[1] Report to the President, President's Advisory Committee on Management, December 1952, p. 18.

We selected a range of management improvement initiatives for analysis and discussion. These initiatives consist of OMB circulars and instructions designed to establish Government-wide frameworks for management improvement, major management improvement committees and projects, and public laws affecting one or more major management activities, e.g., personnel and internal audit.

The management improvement efforts we include in our study are:

OMB Circular A-44 (revision of 1972)--"Management Review and Improvement Program"
Management by Objectives
Under Secretaries' Group
Productivity Measurement and Improvement
Procurement Reform
President's Management Initiatives/OMB Circular A-113--"Preparation and Submission of Management Plans"
President's Reorganization Project
OMB Circular A-117--"Management Improvement and the Use of Evaluation in the Executive Branch"
President's Management Improvement Council
Civil Service Reform Act
Inspectors General Legislation
Paperwork Reduction Act

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[2] Larry Berman, The Office of Management and Budget and the Presidency, 1921-1979 (New Jersey: Princeton University Press, 1979).

Marver H. Bernstein, "The Presidency and Management Improvement," Law and Contemporary Problems, XXXV, 1970, pp. 505-518.

Ralph C. Bledsoe, "MBO and Federal Management: A Retrospective," The Bureaucrat, Vol.2, No.4, (Winter 1974), pp. 395-410.

Ronald C. Moe, "A New Hoover Commission: A Timely Idea or Misdirected Nostalgia?" Public Administration Review, May/June 1982, pp. 270-277.

Ronald C. Moe, "The Two Hoover Commissions in Retrospect," Congressional Research Service Report, No. 82-14 Gov, March 12, 1982.

While not a complete inventory of projects, these initiatives all fall within our working definition of management improvement:

> Management improvement is any effort to change the organization structure, modify the management systems, or take specific actions which reduce cost or promote efficiency and/or effectiveness of operations.

Beyond our definition and our focus on the decade of the 1970s, we used two other basic criteria in selecting these initiatives. First, each initiative had to be Government-wide in scope, centrally led from the Executive Office of the President, or congressionally mandated. Second, each effort had to have been implemented rather than just proposed.

Although we believe that our selection of management improvement initiatives provides us with extensive coverage of recent major efforts and serves as a useful basis for analysis, we also recognize that the coverage could be broader. For instance, we do not include a discussion of the Congressional Budget and Impoundment Control Act of 1974 or Zero-Base Budgeting (ZBB). We excluded these initiatives because they primarily affected the budget process and did not directly involve OMB's management staff. The paper also discusses only centrally led Government-wide initiatives, thereby excluding a large number of individual initiatives undertaken within specific Government agencies.

After selecting the management improvement efforts for our study, we obtained information about the efforts in several ways. First, we reviewed previously published material on the initiatives, including Executive Branch commission/committee reports, congressional hearings and committee reports, GAO and Congressional Research Service reports, and academic studies. Where pertinent and available, we reviewed OMB file material. This paper was presented at the April 14, 1983, meeting of NAPA's Panel on Deregulation of Government Management. Subsequently, the paper was provided to 13 present and former Executive Branch officials for their review and comment. Their comments are reflected in the paper.

MANAGEMENT IMPROVEMENT INITIATIVES PRIOR TO THE CREATION OF OMB

While the creation of OMB signified an explicit institutional commitment to a comprehensive and coordinated approach to Government management issues, a long history of improvement initiatives predates 1970. Vehicles for such initiatives have included Presidential and congressionally mandated commissions and committees, creation of new offices/agencies, reorganizations, executive orders, Bureau of the Budget (BOB) circulars, and legislation. Some started before the turn of the century, but the primary legislative mandate for management improvement was incorporated in the Budget and Accounting Act of 1921. It stated that the BOB, when directed by the President, should study departments and agencies to determine what changes should be made in their organization, activities, methods of business, appropriations, assignment of functions, and regrouping of services. The next major step came with the President's Committee on Administrative Management (Brownlow Committee) Report of 1937, which proposed to fix responsibility on the President to take the initiative in improving management in departments and agencies. The Executive Office of the President (EOP) was created in 1939, and the Congress granted the President reorganization authority. BOB moved from the Treasury Department to the new EOP.

Following World War II the First Hoover Commission (1947-1949) proposed to deal with management improvement mainly through the process of structural reorganization. One result from the Commission report was Executive Order 10072 issued by President Truman in 1949 which provided for "continuing action to improve the management of the Executive Branch of the Government." Congress provided legislative support to the Executive Order in the Classification Act of 1949 by directing each department to make a systematic review of its operations in accordance with the directions of BOB. BOB supported the Executive Order by issuing Circular A-8 on "Instructions for Agency Management Improvement Plans" in 1950.

The establishment of the General Services Administration (GSA), greater military unification, and the Reorganization Act of 1949 also resulted from the recommendations of the First Hoover Commission report.

The Budget and Accounting Procedures Act of 1950, the Second Hoover Commission (1953-1955), the Rockefeller Committee (1953-1959), BOB's Office of Management and Organization (1950s and 1960s), the Brooks Act (1965), and the President's Task Force on Government Reorganization (Heineman Task Force) (1966) are more examples of major management improvement initiatives.

Despite these significant efforts, public and congressional dissatisfaction with Government management was such that the Ash Council's recommendation for an Office of Management and Budget (OMB) was formally proposed by the President and received favorable consideration in the Congress in 1970.

In his cogent analysis of the pre-1970 efforts at management improvement, Marver H. Bernstein concluded:

> "The history of management improvement in the federal government is a story of inflated rhetoric, shifting emphasis from one fashionable managerial skill to another, and a relatively low level of professional achievement. In recent administrations, each President has proclaimed the importance of improving the management of federal programs administered by the executive branch, but at the same time he has been unable to give more than a low order of priority to government-wide programs of management improvement. No President has been able to identify any significant political capital that might be made out of efforts to improve management except for the conservative purpose of economizing or reducing costs. Even when Presidents have wanted to stress the improvement of management, they have been forced to concentrate on more important problems." [3]

OMB CREATED TO PLACE GREATER EMPHASIS ON MANAGEMENT IMPROVEMENT

The creation of the Office of Management and Budget marked what appeared to be the beginning of a renewed interest in management. BOB was redesignated as OMB as a result of Reorganization Plan No.2 of 1970. The principal purpose of the reorganization was to equip the Presidency with better instruments for improving the management of the Executive Branch. The actual reorganization plan provided few specifics about OMB's management responsibilities. However, President Nixon in his message to the Congress transmitting the Plan did commit the Office to establish, as major functions

--the improvement of Government organization, information and management systems;

--program performance evaluation;

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[3] Marver H. Bernstein, "The Presidency and Management Improvement," Law and Contemporary Problems XXXV, (1970), pp. 515-516.

--new efforts to improve interagency cooperation in the field; and

--leadership in devising programs for the development of career executive talent through the Government, and advising the President on the development of new programs to recruit, train, motivate, deploy, and evaluate the men and women who make up the top ranks of the civil service.

In addition to the specification of OMB's management responsibilities, the President's message made clear that a major part of the grand design was to move the entire organization away from policy development (which was to become the province of the Domestic Council) and toward policy implementation. The key and frequently quoted assertion was that "The Domestic Council will be primarily concerned with what we do; the Office of Management and Budget will be primarily concerned with how we do it. . ."[4] This concept implied major changes in the activities of the budget staff as well as the elevation and augmentation of the agency's management side.

The most immediate effect of the reorganization was a change in OMB's formal organization designed to draw management activities up to a co-equal (and therefore more separate) status compared with budget review activities. Thus OMB established an Associate Director for Management, coordinate with the Deputy Director for Budget.

While the creation of OMB was designed to renew Executive Office of the President attention to management, management activities existed in the Bureau of the Budget long before the 1970 reorganization plan. The Ash Council counted 71 professional personnel in "management" activities in the Bureau as of January 1970 (while recommending that the number be increased to 152). Among the activities ongoing at the time of OMB's formation was the Bureau-initiated and led effort that began in February, 1969 to "simplify grant processes and unclog Federal aid delivery channels." This far-reaching Federal Assistance Review, or FAR, lasted for 3 years as a management counterpart to the Administration's sustained policy thrust to move domestic decision-making out of Washington to the field and to State and local governments.

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[4] President Nixon's Message to the Congress Transmitting Reorganization Plan No. 2 of 1970, March 12, 1970.

FAR achieved some success in addressing several administrative aspects of the domestic assistance programs and lasted longer than most subsequent management initiatives discussed in this paper. OMB's then Assistant Director for Management attributed FAR's longevity and success to several factors which were generally not present in the subsequent initiatives discussed in this paper. These included getting the President's attention before other issues became overwhelming, maintaining the aura of Presidential interest, providing a conceptual theme for the initiative, and staffing with experienced, career personnel.

Notwithstanding FAR's relative success, expectations of improved Governmental management through OMB's creation remained largely unfulfilled. An October 1971 conference of senior managers concerned with management improvement produced no consensus that OMB management functions represented any significant increase in attention to management issues compared with the conference attendees' experience with BOB. Conferees found that there had been no discernible impact on the budget examining process as a result of the new emphasis on management. They could not discern what OMB meant by "management" nor what its specific objectives might be, and they expressed concern about attempts to improve management systems though what they saw as "a series of fads."[5]

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[5] Panel 3. "The Office of Management and Budget's New Role - An External View," Proceedings of the Federal Management Improvement Conference, October 18-19, 1971, pp. 71-74.

CHAPTER 2

SPECIFIC INITIATIVES UNDERTAKEN AND THEIR OUTCOMES

The history of Executive Branch management improvement efforts since the creation of OMB is characterized by episodic attempts at reform generally of short duration. The initiatives represent a range of efforts to achieve a workable balance between Presidential control and departmental autonomy. While the circumstances surrounding the initiatives vary, they generally share the characteristics of minimal direct interest by the President or OMB Director; limited attention to implementation strategies; and less than ideal working relationships with OMB's budget staff.

OMB's early years were marked by three separate efforts to develop comprehensive Government-wide management improvement initiatives. The three initiatives--the 1972 revision of OMB Circular A-44, management by objectives, and the Under Secretaries' Group--were characterized by different approaches but suffered the common fate of failing to meet the expectations of their OMB proponents.

OMB CIRCULAR A-44--OPPOSITION FROM THE BUDGET STAFF

Circular A-44, successor to Circular A-8, was first issued in June 1951. Through the years, the Circular had set forth BOB's basic management expectations of agencies. It was revised a number of times, changing reporting requirements and themes as priorities changed within successive Administrations. Over most of its history, Circular A-44 had been exhortative, embodying the Bureau's interest in assuring that budget execution (a secondary concern to budget formulation) received some qualitative attention in the agencies. Cost reduction was a recurrent theme.

In February 1970, a month before Reorganization Plan No. 2 creating OMB was submitted to the Congress, a new revision of A-44 was issued. The revision was part of a larger overall management improvement program designed to show Presidential commitment to efficient Government. The President's Advisory Council on Management Improvement (PACMI) was also established. PACMI was to bring the expertise of top private sector managers to the President and BOB, particularly in the areas of productivity and headquarters-field relationships. The A-44 revision and the PACMI represented additions to the OMB management agenda which already was occupied with the FAR, begun in February 1969.

The revised A-44 required Federal agencies to submit management improvement reports annually to OMB detailing their efforts to improve management effectiveness, cut costs, facilitate idea interchange, recognize exceptional improvement efforts, and participate in periodic studies of Government-wide operations. However, little resulted from the revision, which preceded by only 5 months the formation of OMB and the appointment of a new executive team. BOB (later OMB) budget staff placed a low priority on review of the reports and did not systematically use them in their analysis of agency budget submissions.

Recognizing the inadequacies of the 1970 version of A-44, OMB management staff convinced the new OMB director of the need for a more interventionist approach. The revision, issued in May 1972 and entitled "Management Review and Improvement Program," provided for the creation of joint OMB-agency survey teams which were to go into Federal agencies and review their management improvement efforts. Agencies were to continue to furnish annual reports as provided for in earlier versions of the Circular, but greater emphasis was placed on OMB review of agency attention to key management issues. The reports were to detail the agency's forthcoming management improvement projects, including selected priority projects receiving top management attention. All projects were to have quantifiable improvement objectives and performance indicators.

The 1972 revision, with its strong emphasis on central intervention, fared no better than the 1970 revision. The joint survey teams were not activated, according to the then Deputy Assistant Director for Management, because of opposition from the budget side. With the appointment of new OMB leadership following the 1972 elections, the agenda changed and A-44's reporting requirement was formally rescinded on July 17, 1973. OMB officially retained the policy aspects of A-44 until March 1979, when Circular A-117 was introduced.

The PACMI, created as part of President Nixon's 1970 management improvement initiative, also suffered from changes in BOB/OMB leadership and agendas. In its final report, it noted that the change from BOB to OMB and the appointment of a new OMB Director left it without a sponsor. During its 3-year existence, its members had virtually no contact with the President, his staff, or the Directors of OMB. In February 1973 the Director of OMB notified PACMI that its services were no longer required in light of OMB reorganization and management plans. The Council was officially terminated on March 30, 1973.

Like A-44 and the PACMI, the FAR project (mentioned on p. 7) also suffered from diminished OMB and White House support during 1973. Responsibility for the FAR was shifted to the General

Services Administration along with part of OMB's management staff to make room for management associates assigned to the budget staff. These associates were to help implement the next major initiative, management by objectives.

MANAGEMENT BY OBJECTIVES-- A VICTIM OF POLITICAL CRISIS

President Nixon launched his second term in 1973 with a new determination to take firm central control of the operations of the major departments and agencies. With the Congress still in opposition hands, he saw greater chances of achieving his policy goals through the use of administrative tools than through legislation. Announcing sweeping personnel changes at the Cabinet and sub-Cabinet level, he left no doubt that his second Administration was to be subject to stricter supervision and accountability to the White House than had been the first.[6]

The principal management initiative selected by the President to bring this about was called management by objectives (MBO), formally announced by the President on April 18, 1973. Under personal direction of the Director and Deputy Director of OMB, MBO was intended "to seek a sharper focus on the results" of the activities undertaken at the 21 largest Departments and agencies. It was modeled after a concept of decentralized management that had achieved substantial success in the private sector. It differed substantially in concept from the interventionist philosophy that lay behind the requirements of Circular A-44, which were about to be suspended.

Each agency head was required to develop an agenda of "Presidential" objectives to frame the agency's program priorities for fiscal year 1974. OMB was to work closely with agencies to help them define objectives and review agency products using criteria such as importance to the Administration's political program, feasibility, genuine challenge, and measurability in terms of results within defined time periods. Each agency was also expected to develop and track the achievement of objectives at the secretarial, bureau, and division levels, so that eventually MBO was to encompass most of the activities of the agency. By the fall of 1974, the selection of priority objectives was to be integrated into the budget schedule and process. The ultimate goal of the MBO initiative, according to the OMB Deputy Director, was to create "a better problem-solving management environment in the agencies," or simply "better management in the agencies." [7]

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[6] Richard P. Nathan, The Plot That Failed: Nixon and the Administrative Presidency, (John Wiley and Sons, Inc., 1975) pp. 7-8.

Mindful of criticisms of past management and budget initiatives, OMB sought to minimize paperwork by focusing on face-to-face reviews between the President and his Cabinet members rather than on detailed written reports that would be relegated to staff for preparation. Some 30 new positions were added to OMB--the management associates mentioned above--to augment its management assistance capability and to work on implementation of the MBO initiative.

In practice, the MBO initiative experienced a number of difficulties in its first year, despite a very strong commitment to it at the top level of OMB. According to the former Deputy Director, the greatest problem was in eliciting truly meaningful and measurable objectives from the agencies. [8] So much effort was required to develop a relatively small number (8 to 12) of Presidential objectives for each agency that the broader design of extending the MBO approach throughout each agency's operations was relegated to secondary and low-key status. President Nixon gave early support to MBO despite his view that management reform efforts offer little political advantage, but increasing preoccupation with the Watergate scandal precluded his personal involvement in the process, thus reducing MBO impact and acceptance at the agency level. [9] Increasingly, MBO reviews were relegated to the staff level and became laden with paperwork. Within OMB itself, plans to integrate MBO planning with the budget process were pushed further and further into the future. Management associates gradually gravitated toward working on relatively short-term policy issues such as energy. By the end of 1973, OMB's Deputy Director summarized the situation by saying in a memorandum to the Director:

> "MBO is not very fashionable right now - more points can be scored with OMB management by tackling close-in real world problems. To this

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[7] Frederic Malek to Roy Ash, December 12, 1973, memorandum, "MBO Plans For The Next Six Months."

[8] Frederic V. Malek, Washington's Hidden Tragedy, (New York: The Free Press, 1978), pp. 151-166.

[9] Ibid.

> extent, the long term goal (better management in the agencies) is being sacrificed in favor of short-term payoffs."[10]

By the time President Nixon resigned in August 1974, MBO was effectively dead as a coordinated central management initiative, though it had taken relatively firm hold in two or three departments as an internal control device.

Because MBO had a short life as a central management initiative and never lived up to its professed expectations, many observers have concluded that it was a failure. Many reasons have been given to explain MBO in these terms. It is asserted that political incentives are lacking to sustain long-term management reforms, that objectives cannot be clarified or progress measured systematically, and that OMB as an institution habitually scuttles initiatives linking management reform to the budget process. [11] Certainly the unfortunate congruence of the Watergate crisis with MBO contributed to MBO's demise.

However, while there is no apparent interest now at OMB in encouraging the agencies and departments to use MBO, several departments, such as Health and Human Services and Interior, have retained MBO as a useful internal control process. Others, including the Commerce Department and Immigration and Naturalization Service, have resurrected old MBO systems after a long period of disuse. Thus an argument can be made that the MBO initiative has had some lasting effect on Government management practices.

THE UNDER SECRETARIES' GROUP--A BROADENED MANDATE DOES NOT TAKE HOLD

In April 1973, at the same time the MBO program was initiated, the OMB Deputy Director also proposed to expand the role of the Under Secretaries' Group (USG) into a high level coordinating body for Government-wide management improvement. He envisioned that the USG ". . . should be a marketplace for management ideas, for discussing general management problems, and for generating new approaches to their solution." [12]

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[10] Frederic Malek, December 12, 1973 memo.

[11] For instance, the participants in the MBO Symposium of Public Administration Review, Vol. 36, No. 1 (January/February 1976); also Richard Rose, "Implementation and Evaporation: The Record of MBO," PAR, Vol 37, No. 1 (January/February 1977) p. 69.

[12] Frederic Malek to The Under Secretaries Group, April 6, 1973, memorandum.

Until that time, the USG had served only to provide central policy direction to the Federal Regional Councils. Officially established in February 1972 by Executive Order 11647, the USG was chaired by OMB and originally consisted of the under secretaries from seven agencies. [13]

The USG's expanded role was to encompass such general management issues as ensuring achievement of Administration policy and management objectives, stimulating executive manpower development, and strengthening property and supply management.

Despite the Deputy Director's plans for expanding the USG's role, the broadened mandate never took hold. Although such topics as MBO and executive development were discussed at USG meetings, the primary focus of USG activities continued to be regional issues. By late 1973, the strains caused by Watergate were creating a climate not supportive of coordinated management improvement efforts. The succession of Gerald Ford to the Presidency in August 1974 brought changes in OMB leadership as well as emphasis. The Ford Administration placed little emphasis on the USG and in July 1975 the Group agreed to end regular meetings. By July 1979, when it was abolished by the Carter Administration, the USG was no longer a factor even in regional coordination issues.

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The early 1970s saw several successive attempts to extend and institutionalize OMB's broad general management improvement capability. By 1974-1975, such activity was negligible. In a 1976 report, a NAPA panel found that the management side of OMB lacked a charter, direction, confidence, leadership, and purpose. [14] Throughout this period, however, there were continuing and episodic attempts to undertake more specific and targeted management improvement initiatives. OMB issued and revised a series of circulars addressing specific management problems, such as advisory committee management and Federal reporting requirements. Other initiatives, with Government-wide and potentially sweeping consequences, were originated outside OMB but came to absorb some of the resources OMB devoted to management topics. Two examples--productivity improvement and procurement reform--are worth examining both to flesh out the record for this period and to evaluate alternatives to conceptually more comprehensive efforts such as Circular A-44, MBO, and the Under Secretaries' Group.

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[13] The original seven were Departments of Labor; Health, Education and Welfare; Housing and Urban Development; Transportation; Office of Economic Opportunity; Environmental Protection Agency; and the Law Enforcement Assistance Administration. Membership was subsequently expanded to include the Departments of Interiorand Agriculture as well as the Federal Energy Administration and the Department of Commerce.

[14] "The President and Executive Management - Summary of a Symposium", NAPA, October 1976, p. 19.

LITTLE PROGRESS MADE ON PRODUCTIVITY MEASUREMENT AND IMPROVEMENT INITIATIVES

A September 1970 request from Senator William Proxmire, asking GAO to determine whether Federal productivity could be measured, led to a joint GAO, OMB, and Civil Service Commission (CSC) [15] project to address this question. The project finding that the productivity of large segments of the Federal Government could be measured led the project staff to recommend establishment of a permanent measurement system.

In June 1973, OMB authorized a permanent measurement program aimed at developing and expanding the use of productivity data in managing agency operations. OMB was to provide general policy guidance for the effort; other participants were the Bureau of Labor Statistics, the CSC, the General Services Administration (GSA), and the Joint Financial Management Improvement Program (JFMIP). This arrangement lasted 3 years, during which time the JFMIP worked with Federal agencies to perform demonstration analyses of productivity data for functional areas.

As a result of passage of the National Productivity and Quality of Working Life Act of 1975 (P.L. 94-136), responsibility for assisting Federal agency efforts to improve their productivity as well as carrying out the management responsibilities of the Federal Measurement Program was transferred to the National Center for Productivity and Quality of Working Life. However, Federal productivity issues received scant attention at the Center, which evolved from several earlier organizations that had focused solely on private sector productivity. Less than 5 percent of its expenditures were directed to productivity improvement efforts in the Federal Government. In a 1978 report, GAO found that the Center received little support from either OMB or the Congress. [16] It was viewed as ineffective in both its private and public productivity improvement efforts, and its authorization expired in 1978.

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[15] Now the Office of Personnel Management. The Bureau of Labor Statistics (BLS) later joined the project.

[16] "The Federal Role in Improving Productivity--Is The National Center For Productivity And Quality Of Working Life The Proper Mechanism?" (FGMSD 78-26, May 23, 1978).

The Center was succeeded by the National Productivity Council, established by Executive Order 12089 on October 23, 1978, to lead Federal efforts to improve both public and private sector productivity. Chaired by OMB, the Council seldom met and never had an active role in Federal productivity improvement efforts. The Council was terminated in 1981.

Although the Council never was active, the Office of Personnel Management (OPM) did make an effort to provide central direction to Federal productivity improvement efforts. The implementing memorandum of Executive Order 12089 assigned OPM (in cooperation with OMB) responsibility for fostering Federal work force productivity, and the Civil Service Reform Act (P.L. 95-454) made productivity improvement a major Government objective. In response to these mandates, OPM developed a broad program for assisting Federal agency efforts to improve productivity. The program, operated by the Work Force Effectiveness and Development Group, received favorable reviews for its efforts during its short existence from a wide range of agency officials who worked with it. However, the Group's productivity program was eliminated early in FY 1982 because it did not fit the current OPM Director's views on the appropriate mission for the Office. Currently, there is no central leadership for Federal productivity improvement.

PROCUREMENT REFORM--HOPEFUL PROSPECTS AFTER NINE YEARS OF EFFORT

Responding to widespread and longstanding concerns about the size of expenditures, complexity, inefficiencies, and waste of the Federal procurement system, the Congress created the Commission on Government Procurement (COGP) in 1969. The Commission's work represented the most comprehensive examination of Executive Branch acquisition of products and services ever undertaken, and its December 1972, report contained 149 recommendations for reforming the Federal procurement system. The recommendations provided an agenda for system reform in numerous areas, including streamlining regulations, professionalizing the procurement work force, reforming major system acquisition, and establishing a modern integrated statutory base for all Federal procurement. Above all, the Commission recommended that a high level focal point be created to provide leadership in developing and coordinating Executive Branch procurement policy, as well as implementing the COGP's recommendations.

Faced with OMB and Department of Defense (DOD) opposition to its proposal to create a procurement policy office legislatively, the Congress provided OMB time to act on the recommendations administratively. However, OMB did not act on its proposal to create a procurement coordination office, and on August

30, 1974, the Congress enacted P.L. 93-400 creating the Office of Federal Procurement Policy (OFPP). The act placed OFPP within OMB and provided it with a separate appropriation to be used solely to meet the objectives of the act. The Administrator of OFPP was given directive authority over all procurement policy. He was subject to Senate confirmation, the only such OMB official other than the Director and the Deputy Director, and was to keep the Congress regularly informed of Office activities. The act also required OFPP reauthorization after 5 years.

During its first 5 years, OFPP either rejected or implemented about one-third of the Commission's recommendations, generally ones of a non-controversial nature. It did take some significant actions, including issuing OMB Circular A-109 on major system acquisition, revising Circular A-76 on contracting out to the private sector, enunciating a policy on commercial products procurement and creating the Federal Acquisition Institute. However, the 1979 reauthorization hearing recorded congressional dissatisfaction with OFPP's performance. The House Committee on Government Operations found that OFPP had ". . . assumed the role of central Government-wide manager of the existing procurement activities, at the expense of basic fundamental procurement reform. . ." [17] The Committee found that OFPP had become immersed in issues such as the President's Anti-Inflation Program and providing interpretations of the contract labor standards statutes, with the result that prospects for positive action on COGP recommendations were in doubt. In order to assure better progress toward procurement system reform, the Committee proposed, and the Congress accepted, the removal of OFPP's regulatory authority and the establishment of specific goals for OFPP to achieve within the 3-year reauthorization period. OFPP was to provide the Congress with: a proposal for a uniform procurement system, recommended changes in legislation relating to procurement by executive agencies, and a proposal for a management system to implement and enforce the uniform procurement system.

Since 1979, the interest of the Reagan Administration combined with the current OFPP leadership has created a situation labeled in a staff report of the NAPA Deregulation of Government Management Panel as representing the best chance for meaningful procurement system reform in history. [18] Responding to specific congressional direction, OFPP has reported its proposed procurement and management systems as well as the substance of changes in legislation to accomplish these reforms. The current Administration has made procurement reform part of its management improvement agenda, committing itself to pursuing procurement reforms administratively. In response to Executive Order 12352, agency heads in 45 agencies have designated "Procurement Executives" to oversee the development of procurement systems and to certify that these systems meet approved criteria. Five task forces, comprised of agency personnel under OFPP's general leadership, are working within specified time frames to address major procurement system issues. NAPA attributes the success achieved by OFPP thus far to OFPP's oversight and leadership role which allows the agencies full authority for, or participation in, setting the rules which they must follow.

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[17] House Report No. 96-178 accompanying H.R. 3763, p. 3.

[18] Federal Procurement Interim Report of the NAPA Deregulation of Government Management Panel, NAPA, March 1983.

In contrast to NAPA's basic optimism, GAO is more cautious in its assessment of prospects for procurement reform. [19] While recognizing the uniqueness of direct Presidential support for reforms, embodied in the Executive Order, GAO questions the interest and support by the heads of agencies as well as their commitment to provide the newly appointed Procurement Executives with sufficient authority to implement the Executive Order in their agencies. Concerned by its finding of a widespread belief that agencies are free to reject the policy guidance of the Executive Order, GAO finds a real need to restore OFPP's regulatory authority and strengthen its leadership role to facilitate reform.

THE PRESIDENTIAL MANAGEMENT INITIATIVES AND OMB CIRCULAR A-113--SHORT-LIVED ATTEMPT AT DIRECT INTERVENTION

OMB Director James T. Lynn proposed the Presidential Management Initiatives (PMI) in an April 21, 1976, memorandum to President Ford. Approved by the President in May, PMI was an ambitious major effort to reinvigorate OMB's management improvement role and provide for more effective, efficient, responsive, and accountable Government. PMI represented a highly interventionist approach as well as an intensive effort to integrate OMB's management and budget functions. Director Lynn gave his personal attention to PMI throughout, chairing the task force created to develop and implement the effort. President Ford emphasized his personal involvement, meeting with agency heads in July 1976 when PMI was formally presented to the agencies, and vowing to review agency progress personally.

The PMI agenda was composed of 24 management issues grouped under five topics: decisionmaking and departmental organization, evaluation of current programs, Federal reporting and regulatory burden reduction, contracting out and holding down overhead costs, and personnel management. Under the PMI design, agencies were to develop action plans addressing the management issues. The plans were to be reviewed in OMB by both the management and budget staffs. The budget program associate directors were to be responsible for integrating the plans into their analyses of the agency budget submissions and working with the agencies to improve their plans. The management staff was to do cross-cutting analyses of the submissions, providing budget examiners with assessments of where individual agencies stood relative to the efforts of other agencies.

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[19] "Progress of Federal Procurement Reform Under Executive Order 12352" (PLRD 83-88, June 17, 1983).

PMI encountered significant implementation problems. When it was announced on July 24, 1976, OMB required the agencies to submit their first reports by August 23, with monthly progress reports to follow. This reporting scheme created an inordinate paperwork burden, both in the agencies and OMB. The PMI responsibilities created additional work requirements for the budget staff during their busiest period, the analysis of agency budget requests. The fact that the additional work requirement was imposed from the Director's office, with no appreciable staff input, was another factor causing budget staff resentment.

The timing of PMI, combined with external pressures, obviated an adequate response in either the level of agency reporting or the quality of OMB analysis. There was great inconsistency in performance among both the agencies and the OMB. Agency and OMB staff also lacked incentive to improve because the promised top-level interest never materialized. The President and top department executives became preoccupied with the Presidential campaign and were unable to maintain personal involvement. The OMB Director and Deputy Director found that the budget process occupied an inordinate amount of their time. Without top-level involvement, particularly after the President's defeat in November, PMI was reduced to a paper exercise.

Despite the election defeat and the early implementation problems, Director Lynn sought to establish a formalized management improvement process drawing upon the PMI experience. He attempted to do this through Circular A-113, issued on November 17, 1976. However, A-113 did not last long after his departure. President Carter's management team at OMB, entering with their own management agenda, and faced with enormous opposition to A-113 from both agency and OMB budget personnel, rescinded the reporting requirements on March 3, 1977.

LIMITED CHANGE FROM THE REORGANIZATION ACT AND PRESIDENT CARTER'S REORGANIZATION PROJECT

A centerpiece of President Carter's campaign was his promise of a thoroughgoing and continuous reorganization of the Executive Branch to achieve greater accountability, efficiency, coherence, and responsiveness. Citing his experience as Governor of Georgia, he called for a major reduction in the number of separate governmental units in the Executive Branch. As his plans developed once he was in office, it became apparent that he envisioned an institutionalized reform process that centered on development of proposals to change the structure of the Executive Branch. To give form to his reorganization initiative, Carter set up the President's Reorganization Project (PRP) within OMB early in 1977, greatly expanding OMB's existing Organization and Special Studies Division, which added numbers and prominence to the management side. In developing, explaining, and defending the PRP, Carter and his OMB appointees defined and enunciated a set of principles that deliberately eschewed the kind of comprehensive organizational model or theory that had guided previous organizational initiatives, such as the Hoover Commissions and the Ash Council.[20] The PRP principles were expressed in terms of process. They included a "bottom-up" approach that concentrated on the definition and solution of particular management problems, dependence on the bureaucracy's own expertise and resources to develop proposals, and extensive open consultation with the public and the Congress as alternatives for reform were analyzed.

The principal vehicle chosen to achieve the PRP's goals was the Reorganization Act. This was a procedural mechanism that had been available intermittently and in varying forms to Presidents since 1949, authorizing them to submit structural reorganization plans to the Congress under special conditions that restricted amendments and opportunities for parliamentary delay. One of Carter's first legislative proposals to the Congress, on February 4, 1977, requested a renewal of this authority as the centerpiece of his reorganization initiative. In anticipation of the submission of a great many plans to the Congress, he requested elimination of the previous limit of only one plan every 30 days. The bill was signed on April 6, 1977.

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[20] The principles which were part of previously accepted Government organizational theory included: work assignments should be clearly specialized, related functions should be closely grouped, spans of control should be kept relatively narrow, and the neutral competence of career civil servants should be utilized wherever possible. Peter Szanton, OMB Associate Director in the Carter Administration with responsibility for recorganization studies, declares that these principles ". . . now lie in ruins".

Peter Szanton, Federal Reorganization: What Have We Learned? (Chatham House, 1981), pp 20-21.

Over the next 3 years, several hundred Federal employees, most of them agency detailees, worked on dozens of task forces to develop structural reorganization proposals. Ten of them resulted in reorganization plans submitted to the Congress, all of which were approved. However, these either were of minor importance or impact, resulted from congressional initiatives, or were a subsidiary link to policy change. [21] The largest projects--which developed proposals for the consolidation of natural resources, economic development, border management, legal representation, and administrative services--were never approved for formal proposal to the Congress, generally because advance consultations revealed that congressional approval would be unlikely.

Two new departments--Energy and Education--were established by statute and as a result of explicit campaign commitments. The much publicized effort to reduce units of Government resulted only in the demise of various advisory committees and a single bill eliminating five tiny and nearly defunct organizations. In contrast to initial expectations, there were more independent departments and agencies at the end of the Carter Administration than at the beginning. [22]

Although the President personally gave the reorganization initiative substantial attention, subsequent experience tended to confirm the doubts expressed by many of the President's advisors and congressional allies about the priority given to the effort. The "bottom-up" process used by the PRP identified numerous problems. Few of these problems, however, lent themselves to organizational solutions, and their diversity militated against development of an integrated public rationale for the overall reorganization initiative. [23] An "open process" of broad consultation on options often resulted in open opposition to the President's clear desire for consolidation of functions.[24]

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[21] The Federal Emergency Management Agency, International Development Cooperation Agency, and the Special Trade Representative resulted from congressional initiatives. Splitting the functions of the Civil Service Commission was part of the civil service reform initiative. Other reorganizations included creation of the Federal Inspector for the Alaska Natural Gas Pipeline, alteration of the internal structure of the Nuclear Regulatory Commission, streamlining the White House staff structure, and the administration of equal employment and pension protection responsibilities.

[22] Ronald C. Moe, "The Carter Reorganization Effort: A Review and Assessment," Congresssional Research Service, September 16, 1980, p. 69.

[23] Moe, op. cit. p. 71.

Within OMB, the PRP did not develop a close relationship with the budget staff and the regular processes it controlled. Staffed largely by temporary appointees and detailees, and lacking a firm institutional footing, the reorganization initiative was never able to cope effectively with the knowledge or program expertise possessed by the budget staff. After a flurry of paperwork from agencies in response to PRP's request for information, it was quickly perceived that OMB as a whole was not digesting or acting on agency reports on organizational structure and regular agency contacts with the PRP dwindled substantially.

Finally, the PRP did not have sufficient authority to deal fully with the practical problems of implementing approved reorganization plans, although it did have the foresight to anticipate many of them. As GAO reported in 1981, [25] most of the new or restructured agencies experienced painful early management problems. Recognizing these problems, many observers question whether even "successful" reorganization initiatives were worth their costs.

By late 1979, White House interest in structured reorganization began to wane, and the PRP began to diminish in size and prominence. Sometime in 1980, without formal announcement, the PRP quietly expired. The Reorganization Act was renewed for 1 year in April 1980, but its authority was not used again. The Congress has not further extended the law.

OMB CIRCULAR A-117--A SHORT-LIVED EFFORT TO RENEW THE MANAGEMENT IMPROVEMENT MANDATE

When it was becoming apparent that the PRP was going to fall short of achieving its original goals for structural change, management officials in the Carter Administration's OMB secured some renewed attention to more conventional approaches to management improvement. Although Circulars A-44 and A-113 were still on the books, neither had any practical effect, and the management side of OMB was without an effective charter to conduct management improvement activities among Federal agencies. A February 1978 internal OMB memorandum noted that OMB's guidance to the agencies on management improvement was "in limbo" and that OMB was failing to exercise leadership in setting a level of expectation for agency management. Therefore, the OMB management staff conceived a new broadscale initiative which would give to OMB the necessary charter and, by supporting the zero-base budget initiative, build constructive relationships with the budget side of the institution. It was also the staff's intent to make much better use than prior Administrations of what it regarded to be a large contingent of agency staff resources in management and program analysis, based on an inventory conducted in 1978.

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[24] John R. Dempsey, "Carter Reorganization: A Midterm Appraisal" Public Administration Review, Jan/Feb 1979, p. 75.

[25] "Implementation: The Missing Link in Planning Reorganizations" (GGD-81-57, March 20, 1981).

On March 23, 1979, OMB issued Circular A-117 to fill this perceived gap. It stated Government-wide management improvement objectives in the broadest possible terms. Executive agencies were to:

> ". . .assess the effectiveness of their programs and the efficiency with which they are conducted and seek improvement on a continuing basis so that Federal management will reflect the most progressive practices of both public and business management and result in improved service to the public."

OMB responsibilities under the Circular included identifying and achieving Government-wide management improvements, assessing agency management activities, and conducting follow-up consultations on needed agency-specific improvements.

However, in examining OMB's actions under Circular A-117, GAO found that OMB had not fully planned the implementation of the Circular before it was disseminated to the agencies. Internal memorandums indicate that there was an extended period of uncertainty about how OMB should translate its responsibilities into action. Staff were still pondering basic means and techniques of implementation well into 1980, more than a year after the Circular had been sent to the agencies. Extensive on-site assessments of agency management were considered, but the Management Improvement and Evaluation Division had neither the resources nor the support from either the budget divisions or the agencies necessary to conduct such assessments.

In addition, the management staff did not devise an effective means of associating the management initiative with the budget process. The goal of linking evaluations with the budget process--one of the original broad objectives of the initiative--went unaddressed in the implementation of Circular A-117. As in earlier initiatives such as A-44 and the Under Secretaries' Group, the broad conceptual basis of the initiativewas not translated by OMB into specific, workable activities.

Finally, while stating broad objectives for agency improvement efforts, A-117 did not translate these objectives into meaningful activities. In fact, the only specific activity required of agencies by Circular A-117 was that the agencies submit updated information annually on the staff resources they devoted to management improvement and evaluation activities and name the principal officials responsible for those activities. However, without effective follow-up, the reporting provisions of the Circular were soon labeled useless red tape by the agencies. With tacit agreement by OMB, more and more agencies ceased filing reports altogether. Eventually, a study of OMB Circulars by agency officials and OMB staff recommended in January 1983 that A-117 be rescinded on the grounds that it had no current value to OMB or the agencies.

PRESIDENT'S MANAGEMENT IMPROVEMENT COUNCIL--UNFULFILLED MANDATE

Even as Circular A-117 was being launched in early 1979, discussions held between the White House, OMB, and OPM staffs led to a proposal to the President to create a council on management improvements to complement the reorganization project and the Administration's efforts on fraud and waste. In what represented a belated recognition that a more conventional and tested management improvement mechanism than sweeping reorganization also deserved attention, a draft "fact sheet" circulated in late April stated that the campaign for management improvement has two aspects: efforts at restructuring Government and a

> . . . "complementary effort to work toward the solution of specific management problems in a systematic way, using the help, advice, and expertise that the private sector can bring to bear on these problems, as well as the talent within Federal agencies."[26]

As OMB/OPM planning continued, the idea for the council which evolved was similar in approach to the President's Advisory Council on Management Improvements in the Nixon

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[26] Draft fact sheet on the President's Management Improvement Council with a cover routing slip from Blair Erving to Seymour Greenstone, dated 4/30/79.

Administration. The new council was co-chaired by the Directors of OMB and OPM, but membership included leaders from business, labor, universities and foundations, State and local governments, and Federal agencies. These individuals were to bring private sector expertise to bear on critical Federal management problems and issues in two ways. First, they were to undertake specific management improvement projects involving one or more Federal agencies. Second, and of broader importance,they were to identify critical management problems and constraints on management effectiveness, advise the President on these issues, and propose solutions.

The record of the four meetings which were held show that the Council's involvement in individual projects consumed both its attention and its limited resources. It never did fulfill the mandate to advise the President. The first meeting, in September 1979, was spent hearing presentations on possible projects. At the second meeting, 3 months later, the council director concluded that defining projects, obtaining agreement, and identifying staff talent had proven more difficult than expected. Although advice to the President on management improvement was recognized as the Council's first responsibility, the Council was not prepared to address that task. Prior to the third meeting, in March 1980, the Executive Director became resigned to deferring the Council's Presidential advisory role in favor of completing the projects it had underway or was negotiating to implement. At this time, some Council members were still not involved in projects and were being urged by the Executive Director to do so.

Projects undertaken by the Council included efforts aimed at improving management of travel by Federal employees and increasing the efficiency of the Government's debt collection efforts (These continue today, transcending the change of Administration). The six other projects dealt with such subjects as medicare contracting, Indian tribal management capability, human resources management in the General Services Administration, and general management improvement in the Immigration and Naturalization Service. These projects involved more Council resources than anticipated at the start of the initiative, and the Council had problems in defining specific, workable activities for some projects. While the projects generally could be considered worthwhile, the contribution of a Presidential Council mechanism to supporting such projects could be debated. The Council's Executive Director acknowledges that many projects could have been conducted by OMB or OPM, but feels the Council supplemented the central management agency resources.

A number of factors resulted in the Council never meeting its mandate of providing broad management advice to the President. The Administration's initial decision to focus the Council's attention on specific improvement projects directed at problems within one or more agencies presented a significant obstacle to advising the President on broad management issues. In the view of the Council's Executive Director, the information and suggestions developed, while of interest to agency executives, were not matters of sufficient breadth to warrant Presidential attention. While some Council members were interested in fulfilling the broader mandate, they were hampered by various factors arising from inadequate implementation planning. Council members were chosen to represent various segments of the American society, and a number of the members had no Government background and did not contribute to establishing the Council agenda. The timing of the initiative, coming late in the Presidential term, as well as the quarterly meeting schedule, did not help maintain the initiative's momentum. The June and September 1980 meetings were not held; the first because supportive council members had other commitments, and the second because the election campaign overshadowed the Council's activities. The Council concluded its work in December 1980 with its final report, a compendium of the eight individual projects.[27]

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[27] The President's Management Improvement Council, A Practical Approach to Problem-Solving. Final report on the Council's projects and accomplishments, December 1980.

CHAPTER 3

THREE NEW LAWS AFFECTING MANAGEMENT

The Carter years also saw legislation in three management areas with Government-wide implications. The first, civil service reform, represented the most significant management achievement of the Carter Administration. The other two, institutionalization of the Inspector General functions and information resources management, were primarily congressional initiatives. The relative newness of these initiatives allows no more than tentative assessments of their progress. In terms of lasting effect, however, these three new laws will have greater consequences than the Carter Administration's structural reorganizations.

THE CIVILIAN PERSONNEL SYSTEM GETS A MAJOR OVERHAUL

Civil Service reform became a high priority early in the Carter Administration, growing out of promises to improve Government management through reorganization. In April 1977, President Carter set forth his objectives for bureaucratic and civil service reform, which included

--ensuring maximum efficiency and economy in Government operations,

--making Government more responsive to citizens' needs,

--demanding higher levels of performance from Government officers by developing incentives for increased productivity, and

--giving managers the authority to do the job and holding them accountable.

In May 1977 the President established the Federal personnel management project, aligned with the President's Reorganization Project, to study civil service system problems and recommend solutions. The project report issued in December 1977 concluded that repair of the civil service system required fundamental changes, including a reordering of the civil service organizational structure. The project's findings were similar to many of those that GAO had identified during the previous 4 years, including the need to

--resolve the conflicting roles of the Civil Service Commission (CSC) in policymaking, administration, prosecution, arbitration, and employee rights protection;

--simplify the appeals system; and

--improve performance appraisals and ratings.

The project's findings were also supported in a February 1978 report by the Committee for Economic Development which urged reform and recommended restoring managerial authority and responsibility for personnel, creating a Federal career executive service, reorganizing civil service administration, and emphasizing merit as the basis for advancement in the career public service.

The principal results of all these efforts were an executive order transferring most of OMB's responsibility for personnel matters to CSC, a reorganization plan establishing a new administrative structure, and the Civil Service Reform Act (CSRA, P.L. 95-454). Reorganization Plan No. 2, which became effective January 1979, was designed to achieve the President's objective of removing CSC's conflicting roles and simplifying the appeals system. It abolished CSC and established in its place the Office of Personnel Management (OPM), the Merit Systems Protection Board (MSPB), and its Special Counsel. Under the plan, OPM became responsible for managing the Federal work force and was to be more responsive to the Administration's program. The Merit Systems Protection Board was established as an independent watchdog agency responsible for investigating and hearing adverse action appeals. The plan also established the Federal Labor Relations Authority and abolished the previous Federal Labor Relations Council. CSRA, effective January 11, 1979, embodied the policy changes implicit in the organizational division of responsibilities and received much more attention from the Congress than did the Reorganization Plan.

CSRA made sweeping changes in Federal personnel management and civil service laws with respect to employee incentives and rewards, performance appraisal, mobility, hiring, the roles of career and political executives, as well as other personnel administration issues. The act established the Senior Executive Service (SES), provided for establishing a system of merit pay for supervisors and managers in grades GS-13 through GS-15, established a basis for changing performance appraisal systems to link performance of employees to all types of personnel actions, and contained other provisions designed to improve Federal personnel management.

Managerial flexibility through the systematic application of incentives to achieve desired results was the key component of civil service reform. CSRA affirmed that managers (1) have the basic responsibility for directing the efforts of the people who work with them in accomplishing program goals, and (2) are accountable as the prime motivational force for getting work accomplished through organizing, staffing, directing, and evaluating the performance of personnel.

To make sure civil service reforms were implemented as intended, CSRA established layers of oversight which included GAO, OPM, the Merit Systems Protection Board, and the Congress. GAO has explicit reporting responsibilities under the act, including an annual evaluation and report to the President and the Congress, and selective reporting responsibilities on major elements of the legislation. CSRA requires OPM to establish standards and regulations and review and monitor selected aspects of the act. MSPB is required to review and report annually to the Congress and the President on the significant actions of OPM. The Congress must reauthorize SES in 1984, 5 years after the act was passed.

No comprehensive assessment of the CSRA has yet been completed. Numerous articles have been published by individuals both inside and outside the Government and these generally have been critical of either provisions of the legislation or of OPM's administration of the act. GAO has issued two annual reports on OPM and MSPB activities, citing implementation problems while also finding that OPM is making progress in administering the act.[28] Problems with SES performance awards, merit pay, performance appraisal, and budget cuts allegedly hampering OPM operations have all received critical attention. However, a credible assessment of the impact of this complex reform effort on Government management awaits further experience and evaluation.

FEDERAL OFFICES OF THE INSPECTOR GENERAL STRENGTHEN THE INTERNAL AUDIT AND INVESTIGATION FUNCTIONS

In recent years the role of Federal internal auditing has been the subject of widespread congressional concern, culminating in the passage of legislation establishing offices of inspector general (IG) in 17 major departments and agencies during the period from 1976 through 1982. [29] Concern was generated by the public's demand for better Government and for curtailing waste in Federal programs. In congressional hearings, one example after another was presented showing significant losses due to fraud, making it clear that fraud, abuse, and waste in federally funded programs posed a serious problem. The hearings noted specific deficiencies. Auditor and investigator effectiveness were limited by the lack of independence, limited access to agency executives, scarce resources which prevented adequate audit coverage, and the absence of an affirmative program to look for possible fraud or abuse beyond reliance upon complaints.

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[28] "Civil Service Reform--Where It Stands Today" (FPCD 80-38, May 13, 1980).
"Civil Service Reform After Two Years: Some Initial Problems Resolved But Serious Concerns Remain" (FPCD 82-1, November 10, 1981).

While the Congress was devoting its attention to establishing offices of inspectors general, the management side of OMB was also looking at the Government's auditing functions. Their attention had been drawn to this issue by the developing scandals at GSA. According to the then Associate Director of OMB for Reorganization and Management, the management side of OMB proposed supporting the 1978 IG legislation when it went to the Senate while the budget side of OMB was opposed to it. In his view, the budget side felt the new IGs would be out of the chain of command, violating the basic central control principle traditionally espoused by OMB.

The IG legislation enacted by the Congress was intended to correct the deficiencies noted in the hearings by creating an independent official and a single office in each agency to conduct and supervise audits and investigations of agency programs and operations in compliance with the Comptroller General's audit standards. The IG was also to provide leadership and coordination and recommend policies to promote economy and efficiency and prevent and detect fraud and abuse in agency programs and operations. Accountability was provided through regular reporting of activities to both the agency head and the Congress.

After passage of the 1978 legislation creating IGs in 12 departments and agencies, the management side of OMB assisted in implementing the act by screening people for the IG positions and ensuring that they received the resources to do the job by exercising review authority over IG budgets.

In addition to congressional support for the IG concept, the Executive Branch has established coordinating bodies for the inspectors general. In May 1979, President Carter created the Executive Group to Combat Fraud and Waste in Government. The

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[29] The 17 major Inspector General Offices are the result of 7 different pieces of legislation.

Group was established under the leadership of the Deputy Attorney General and OMB's Deputy Director to ensure effective implementation of the 1978 legislation. Through the remainder of the Carter Administration, the Executive Group provided a communication network for the inspectors general to share ideas and problems. In the Reagan Administration, the Group has been succeeded by the President's Council on Integrity and Efficiency (PCIE), established by Executive Order 12301 in March 1981. The IGs agree that the PCIE has been a strong unifying force which has made the IGs important instruments in this Administration's management plans.

While GAO has strongly supported the inspector general concept, as well as the attendant emphasis on detecting fraud, waste, and abuse, it has also emphasized the need for better preventive measures through improved internal controls. GAO supported new legislation that would institutionalize vulnerability assessments and annual reporting by department heads as useful internal control review mechanisms. A 1981 GAO report showed that agencies' vulnerability assessment efforts needed improvement.[30] Subsequently, both OMB and the Congress have emphasized the importance of internal controls, OMB by means of Circular A-123 on Internal Control Systems and the Congress through enactment of the Federal Managers' Financial Integrity Act of 1982 (P.L. 97-255).

The IGs' efforts have shifted from a law enforcement/detection emphasis toward prevention since the 1978 Act. This change in emphasis seems to be symbolized by the change in chairmanship from President Carter's Executive Group to President Reagan's PCIE. The former was chaired by the Justice Department with its emphasis on fraud and detection, while the latter is chaired by OMB where the emphasis has shifted more to prevention and management improvement. This shift offers promise for additional improvement in the management of the Federal Government. However, the greater emphasis on prevention could also pose problems for the IGs because demonstrating the results from improved management is more complex than counting indictments and convictions.

30"Examination of The Effectiveness of Statutory Offices of Inspector General" (AFMD-81-94, Aug. 21, 1981).

GAO and other observers [31] have found some problems with inspector general operations, including concerns over possible politicization, resource shortages, deficient reporting to the Congress, and coordination with non-inspectors general audit and investigative organizations.

Establishing an effective IG office in a department or agency requires time and is subject to a variety of challenges. Current and former IGs have noted that organizational matters have absorbed them more than they wanted. For instance, some organizational changes including the consolidation of investigative resources in the IG's office at HHS were on the drawing board for 4 years before implementation began. IGs appointed from outside the ranks of Federal managers require time to gain the necessary familiarity with Government systems. IGs must also work on reducing the natural antipathy between auditors and investigators to achieve a cohesive work force. [32] Despite these problems, progress toward the objectives of the inspector general legislation is encouraged by continued Administration and congressional support.

PAPERWORK REDUCTION ACT USHERS IN A NEW CONCEPT OF INFORMATION RESOURCES MANAGEMENT

Throughout the 1970s, increasing public and congressional attention was given to the paperwork burden imposed on the public by Government regulations and reporting requirements. In an effort to better understand and address the full dimension of the problem, the Congress established the Commission on Federal Paperwork in 1974. By the time the Commission completed its work in October 1977, it had developed more than 600 recommendations for reducing the paperwork burden.

Following issuance of the Commission's report, the Congress assigned OMB responsibility for implementing some of the Commission's recommendations, overseeing agency actions on others, and reporting Executive Branch progress. However, a GAO report

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[31] "Examination of the Effectiveness of Statutory Offices of Inspector General" (AFMD 81-94, August 21, 1981).

Margaret J. Gates and Mark H. Moore, eds. "Research Seminar on Inspectors General," Harvard University, January 21, 1983.

Frederick Kaiser, "Issues Affecting Inspectors General," Congressional Research Service, Government Division, March 10, 1981.

[32] Margaret J. Gates and Mark H. Moore, eds. "Research Seminar on Inspectors-General," Harvard University, January 21, 1983.

criticizing the diligence and effectiveness of OMB's efforts increased congressional concern over OMB's commitment to paperwork reduction.[33] Despite (1) efforts by successive Administrations to reduce Federal paperwork burdens and (2) reports by GAO, the Paperwork Commission, and others on deficiencies in agency information practices and procedures, important segments of the Congress came to believe that further improvements in paperwork control activities were needed.

As the Congress began serious consideration of legislation to strengthen the Federal paperwork management effort, recognition grew that related information management areas, such as automated data processing, telecommunications, statistical policy, records management, and individual privacy rights had been treated separately, inattentively, and ineffectively. Accordingly, in December 1980 the Congress enacted the Paperwork Reduction Act (PRA, P.L. 96-511) which recognized the evolving concept of information resource management (IRM). This concept rests on the notion that information, in all its forms, is a resource which must be purposefully managed for agencies to operate efficiently and effectively.

The act provided both a structure and a process to deal with information problems. The act also provided for the establishment of an office in OMB to assist the Director in meeting his responsibilities to provide direction for the development and implementation of Government-wide information resource management policies. For the first time, Government-wide policymaking and coordination for information collection (paperwork), statistics, records management, privacy rights, automated data processing, and telecommunications were to be centralized in one office. The act reasserted existing GSA operational management responsibilities for automated data processing and records management within OMB's guidelines and mandates and added responsibility for assisting OMB in reviewing agency information resource management activities and developing a 5-year automated data processing and telecommunications plan.[34] Finally, the act provided for the designation of a senior official in each agency, reporting to the agency head, to ensure that the agency effectively carries out its information management responsibilities.

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[33] "Program To Followup Federal Paperwork Commission Recommendations Is In Trouble" (GGD 80-36, March 14, 1980).

[34] The act also reasserted the National Bureau of Standards responsibilities for developing and recommending uniform Federal ADP standards.

Responding in part to the problems identified by President Carter's Federal Data Processing Reorganization Project and GAO, the Paperwork Act set forth numerous tasks (GAO counts 39 key tasks) and deadlines which the Congress was to use to assess Executive Branch performance relative to the act.

When we performed our study, not enough time had elapsed since the Paperwork Act was passed to permit a full assessment of its implementation or impact. However, some benefits are discernible:

--Most Federal information collection activities are subject to review under the provision of the act, a vast improvement over the situation before December 1980 when 50 percent of Federal information collections were exempt from the review provision of the Federal Reports Act of 1942.[35]

--The concept of information resource management has evolved and become more widely known.

--A structure for addressing information resources management issues is in place, and provision has been made for congressional evaluation of Executive Branch performance against set standards.

Despite these benefits, one senior GAO official has expressed concern that information resource management issues could receive the same neglect as before the PRA and that the act could fail to achieve significant progress in the way the Government attacks these issues.[36] Further, OMB's Office of Information and Regulatory Affairs (OIRA) activities under the act have been limited by the Administration's decision to focus that office's limited resources on the paperwork burden aspects of the act and its regulatory relief effort under Executive Order 12291. GAO has concluded that the latter responsibility is beyond the intent of the PRA.

While the Administration's emphasis has produced paperwork burden reductions, it has so absorbed OIRA's resources that records management and statistical policy are suffering from the same lack of attention which they received prior to the PRA.

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[35] The Federal Reports Act of 1942 was rescinded and its provisions strengthened and incorporated into the PRA.

[36] Arnold P. Jones, Senior Associate Director for Information Resources Management Activities, General Government Division, Address to the National Capitol Chapter, Association of Records Managers and Administrators, Washington, D.C., February 17, 1983.

OIRA has also chosen to review agency information collections on a case-by-case basis, which makes OMB subject to the pre-PRA criticism that it is not providing necessary Government-wide policies and oversight of agency activities.

GAO has recommended that the Director of OMB identify specifically in OMB's budget the resources needed for timely and effective implementation of the act and assess the feasibility of applying a greater portion of its available resources to implement the act.[37] In addition, a bill (H.R. 2718) that would amend the Paperwork Act has been introduced in the Congress to provide a separate line item account for OIRA in OMB's budget to cover the functions contained in the Paperwork Reduction Act of 1980.

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[37] "Implementing The Paperwork Reduction Act: Some Progress But Many Problems Remain" (GGD-83-35, April 20, 1983).

CHAPTER 4

REAGAN ADMINISTRATION MANAGEMENT INITIATIVES

Although this study addresses management improvement efforts through 1980, a brief discussion of developments under the Reagan Administration is warranted because of their relevance to evaluating options for the future. The following account is descriptive rather than evaluative, since none of the initiatives launched in the first half of President Reagan's term are complete.

OMB MANAGEMENT SIDE REORGANIZATION

From the outset, the Reagan Administration has shied away from centralizing management improvement responsibility in a strengthened management side of OMB as the Carter Administration had done. The post of Executive Associate Director for Management was dropped, although its budget side counterpart was retained. Remaining elements of the Carter reorganization project were dropped from the organization chart altogether in July 1982, and responsibility for dismantling the Departments of Energy and Education was delegated to the departments involved with minimal OMB oversight. The management staff has been steadily reduced and has gone through two major reorganizations.

The downgrading of OMB's central management capability, however, did not signal a lack of management activity, particularly after the first year of the Administration when budget battles had dominated the agenda. Decentralization of management activity has been the dominant theme so far, with OMB playing the role of a convenor and coordinator rather than an active intervenor in agency affairs.

ASSISTANT SECRETARIES FOR MANAGEMENT GROUP (ASMG)

Improving the management and operation of the Executive Branch was the principal purpose of the resurrection, in April 1981, of the Assistant Secretaries for Management Group (ASMG) composed of the top administrative officials in the departments and several major agencies. The ASMG has met often, providing a forum for discussion of common administrative problems, such as cutback management, contracting for ADP, and other topics with a cost-saving flavor. More recently, sub-groups of the ASMG have undertaken specific projects, such as the review of all OMB Circulars, with a view toward recommending the elimination or consolidation of circulars no longer needed.

PRESIDENT'S COUNCIL ON INTEGRITY AND EFFICIENCY

The President's Council on Integrity and Efficiency was established in March 1981 to provide leadership for Government-wide activities to reduce fraud, waste, and abuse in Government programs and operations. Chaired by OMB's Deputy Director, the Council is composed of the inspectors general or other representatives from all departments and large agencies. This group has issued reports summarizing inspector general activities, undertaken some joint projects, and provided a forum for exchanging information on common approaches to reducing fraud, waste, and abuse, a Reagan Administration priority.

PRESIDENT'S PRIVATE SECTOR SURVEY ON COST CONTROl

In February 1982 the President announced the formation of the President's Private Sector Survey on Cost Control (PPSSCC). Composed almost exclusively of high-level individuals from the business and professional communities, the PPSSCC has kept its distance from OMB. Thirty-five task forces were formed to investigate and recommend potential savings and management improvements, both Government-wide and within specific departments. The survey has released some of its task force reports, including one on Federal management systems. That task force's most significant recommendation calls for the establishment of a centralized Office of Federal Management (OFM) in the Executive Office of the President, adding expanded policy-making authority for financial management, personnel management, and management information systems to the budget, planning, and evaluation responsibilities that OMB now has. Key features of the proposal include contractual appointments of the OFM associate directors in charge of management improvement, budget and planning, financial management, administration, and human resources, with a direct reporting relationship of GSA and OPM to the latter two associate directors, respectively. Numerous procedural recommendations supplement this structural centerpiece.

CABINET COUNCIL ON MANAGEMENT AND ADMINISTRATION

In September 1982 the President announced creation of a Cabinet Council on Management and Administration, with a charter to develop broad management and administrative policy for the Administration. The Council will also be responsible for monitoring progress of Reform '88, personnel management reforms, a review of Federal field structure issues and review and implementation of PPSSCC recommendations.

INTERNAL CONTROL SYSTEMS

A notable new management initiative requires departments and agencies to evaluate and improve their internal control systems. In October 1981, OMB issued Circular A-123, prescribing policies and standards to be followed by agencies in establishing and maintaining efficient and effective systems of internal control over their program and administrative activities. This was followed by enactment of the Federal Managers' Financial Integrity Act (FMFIA) in September 1982. OMB initially opposed FMFIA, arguing that its objectives and processes were already sufficiently grounded in A-123.

The guiding concept behind the internal control initiatives is that fraud, waste, and mismanagement can be better attacked through prevention than after-the-fact detection. By establishing an annual review process and requiring reports by department and agency heads on the adequacy of their internal controls, the act is compelling the attention of officials throughout the Executive Branch, even though it is just getting under way.

GAO is responsible for issuing internal control standards and OMB is responsible for the implementing guidelines. The two agencies have both been working to ensure effective implementation.

REFORM '88

In the fall of 1982, OMB made a move toward broader involvement in Government management by launching an initiative that has become known as Reform '88. As it has evolved, Reform '88 seems to be concentrating on consolidating diverse and separated management and financial control systems across agency lines. Reform '88 was originally set up as a special task force staffed entirely by temporary detailees from the agencies and reporting through channels separate from OMB's regular management staff. Recently it has been integrated back into regular management channels as part of OMB's latest management reorganization. The effort remains decentralized, however, as various projects are designed to be carried out under the direction of "primary agencies" which include several of the line departments. Most projects focus on improving some aspect of the Government's financial management system. Attention is also being given to improving the information available for decisionmaking in the White House itself.

CHAPTER 5

INSTITUTIONAL SUPPORT FOR SUSTAINING MANAGEMENT REFORMS WAS OFTEN NOT ACHIEVED DURING THE 1970s

The twelve initiatives that GAO reviewed represent a range of approaches to Government-wide management improvement: OMB circulars, Presidential commissions, organizational restructuring, and management tools and systems. The Executive Branch-led efforts have alternated between direct intervention into agency management and official but largely ineffectual exhortation of agency leadership to examine operations more critically. The direct intervention efforts have all been of short duration, therefore none provided a real test of how such systems would work once the inevitable early problems were resolved. At the same time legitimate questions can be raised about whether, even with more time, OMB as an institution consistently dominated by the budget process would have given any of the various initiatives the necessary attention, priority, and resources to assure a more successful result. Hugh Heclo's 1975 assessment that "the management side of OMB has been in disarray through most of the organization's short life" rings true for the entire decade.[38] The overall record of this period is sufficiently discouraging to lead various NAPA panels, including the current Panel on Deregulation of Government Management, and the PPSSCC Task Force on Federal Management Systems, to suggest that the problem of sustaining broad management improvement needs urgent attention.

What observations can be drawn from the analysis of 12 initiatives in considering how to approach management improvement in the future? We offer several observations here, recognizing the wisdom of President Truman's Advisory Committee on Management, cited earlier, that there is ". . .no single, sure-fire, and practicable panacea to guarantee the improvement of management in the Federal Government."[39]

First, initiatives must be sustained to have any chance of success. Time is required to deal with the complexity of the management reform issues and to institute change in an entity as large and diverse as the Federal Government. Time is something most Presidential initiatives have not had, given the rapid turnover in Executive Branch leadership through the 1970s. While specific management reforms generate little public interest on a national scale once they are instituted, it is also paradoxically true that the broad state of Government management has become a perennial campaign issue. Each new set of leaders seems compelled to bring a new management agenda into office, implicitly rejecting approaches and initiatives already in place.

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[38] Hugh M. Heclo, "OMB and the Presidency-The Problem of Neutral Competence," Public Interest 38 (Winter 1975), p.80.

[39] Report to the President, President's Advisory Committee, December 1952, p.18.

Second, after more than a decade of experience, Federal management specialists have not developed a coherent or generally accepted doctrine of what constitutes good management in the Federal context. Lacking such a standard or model, officials in OMB and other central management agencies have difficulty establishing the legitimacy of either criticism of, or advice to agencies on their management, except as part of a contemporary (and therefore temporary) political agenda. This also accounts, at least in part, for the difficulty OMB has had in acting on agency reports of their management plans (as in Circular A-44 and A-113). The natural tendency of agencies to resist central control is exacerbated by the widespread conviction that the agencies are as knowledgeable about management as the central agency staffs.

Although the rhetoric associated with management initiatives often focuses on cost reduction, the initiatives taken during the 1970s largely did not achieve effective linkages with the budget process, the one tool which necessarily forces the agencies to pay attention to OMB. The absence of this link in A-44, productivity, MBO, PMI, and A-117 led both agency and OMB personnel to view the information-gathering and reporting processes required by the management initiatives as burdensome because they have been in practice irrelevant to real decisionmaking. Even the direct assignment of management analysis responsibilities to OMB's budget divisions--as in MBO and PMI--was ineffective in linking management and budget considerations as originally intended when OMB was established in 1970. Perhaps what Alan Schick has called "the negative, critical style" associated with budget analysis is incompatible with the more positive and creative demands of management analysis and improvement.[40] The 1981 NAPA panel report on strengthening OMB's management role said that "the cleavage between the budget and management sides of OMB has became so great that they seem to be two different worlds." This history calls into question the very viability of the original OMB concept.

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[40] Thomas R. Mullaney "OMB Pushes Plans to Improve Federal Management; Still No Miracles" National Journal, December 4, 1971, p. 2379.

Third, continuity and dedicated resources appear to be important factors to consider in planning and implementing initiatives. The procurement, travel management, and debt collection projects benefited from sustained, career-level staff support, both in OMB and in key agencies. In contrast, productivity and the OMB circulars lacked necessary dedicated staff resources. Concerns about the sufficiency of resources are current issues in implementing the paperwork and civil service reform laws. Limits on the size of the Executive Office of the President and dominance of the budget process may be two reasons why more resources were not available for management improvement efforts.

A key to successful management reform may lie in demonstrating to the agencies that OMB leadership, backed by the President, is truly interested in management reform. OMB leadership has not always demonstrated much interest, and some observers believe that preoccupation with budget issues will diminish future attention. Presidential involvement also offers no assurance of success. MBO and PMI demonstrate that Presidential involvement may not be delivered even when promised. When it was delivered, it still may be no guarantee of success, as with the President's Reorganization Project.

The record since 1970 reflects repeatedly an unwillingness or inability to devote sufficient attention to implementation. The problems discussed above are by and large manifestations of difficulties in implementing initiatives. All too often, initiatives such as PMI, the Carter Reorganization Project, and Circular A-117 were initiated without careful and comprehensive implementation planning. This record of implementation problems only contributes to a skepticism that any Government-wide management improvement initiative can be successful, adding to the burden of building support for subsequent proposals.

Finally, a base in statutory authorization appears to be helpful for management initiatives, even though OMB usually opposes this approach unless it is unavoidable. Although not a guarantee of success, the legislative process ensures there will be considerable debate and compromise over any reform effort. That debate extends the base of interest and commitment to reform measures and may lead to a general consensus among affected parties about what needs to be done. Certainly the Congress provided the key impetus to sustained reform in procurement, paperwork reduction, and the inspectors general legislation.

OMB traditionally argues against legislating management reforms and particularly against any legislation affecting OMB's, structure on the grounds that such laws would reduce the flexibility of future Presidents and OMB directors to allocate scarce resources where they see fit and according to circumstances and priorities that are bound to change. Notwithstanding these arguments, the President's commitment to reform may vary over time, and as we have seen, new Administrations feel a certain compulsion to reject initiatives of the old. Congressional oversight of legislated initiatives can be helpful in providing much needed continuity in order to sustain progress. Legislation provides an ongoing requirement for action and, as in the case of OFPP and OIRA, an institutional focal point accountable for progress. Perhaps the most significant finding of all from this examination of the past decade is that the only broad initiatives that are still on the management agenda are those to which the Congress has committed itself through legislation.

CHAPTER 6

OPTIONS FOR PROMOTING MANAGEMENT IMPROVEMENT

Given the record of Government-wide management improvement initiatives, it is logical to search for alternatives. This record does not suggest any specific structure or process that would be most appropriate for better sustaining future management reforms. The Cabinet Council on Management and Administration (CCMA) and the other mechanisms now in place may well provide an effective framework, assuming that leadership is sustained, adequate resources are provided, and good cooperation is obtained from the Congress and affected departments and agencies. However, several proposals have been made over the years to strengthen the framework for management improvement. Drawing on the suggestions made by others and discussions with knowledgeable observers, GAO has prepared a list of options available to policymakers considering implementation of the NAPA panel's recommendations and those of other study groups concerned with Government management.

Our list does not encompass every proposal which has been made.[41] Furthermore, the proposals are not mutually exclusive. Various combinations could be adopted as part of an effort to strengthen the framework for improving Government management.

GAO is not now endorsing any of these options. More evaluation would be required before a definitive position could be taken.

OPTIONS

1. Accept the current structure in the EOP and support and encourage the activities undertaken by CCMA, Reform 88, the Assistant Secretaries for Management Group, and the President's Council on Integrity and Efficiency. Recommendations by the President's Private Sector Survey on Cost Control could have a significant impact on these activities. Working with other interested parties, such as congressional committees, organizations such as NAPA could attempt to influence

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[41] As noted on p. 36, the PPSSCC's Task Force on Federal Management Systems has recommended changes in the structure of the Executive Office of the President bearing directly on the question of how to better sustain Government-wide management reform.

initiatives addressing the most pressing management problems. Constructive advice could be provided on the staffing and implementation of specific initiatives to help assure success.

2. Foster full implementation of the Federal Managers' Financial Integrity Act (P.L. 97-255). GAO internal control standards and OMB guidelines apply to a broad range of administrative as well as financial activities in all Federal agencies. The initial vulnerability assessments are now underway, and agency heads will be making their first reports by year's end.

3. Support legislation (H.R. 42 and S.35) which would establish a commission on more effective Government to (1) examine our administrative system as a whole, placing the more incremental reforms in a coherent perspective, (2) provide a forum for addressing future needs for improved efficiency and effectiveness in Governmental administration, (3) assess the administrative roles and relationships among the three branches of Government in the execution of national policy, and (4) examine Federal responsibilities and relationships to State and local governments. Such a commission would help to educate the public and focus attention on alternative steps that should be taken.

4. Advocate further strengthening of the OMB management function. Possible approaches to reasserting this function are:

   --Establish a separate Deputy Director for Management, subject to Senate confirmation, who would be responsible for OFPP, OIRA, and other management activities.

   --Provide more staff for the OMB management function.

   --Formally split OMB into two offices, separating the budget and program review functions from the management, information, regulatory reform, and procurement functions.

   --Establish a formal charter for OMB management activities by Executive Order, possibly including the establishment of management assessment teams to work with agency executives in improving agency management systems.

5. Establish a separate central organization to address management issues. Various proposals include:

--A separate Office of Management in the EOP, combining OFPP, OIRA, and other OMB management activities, plus OPM's personnel management policy functions and possibly some policy functions from GSA. In order to establish a linkage with the budget process--a major management system--the new office could be made responsible for improving that process, leaving the policy and funding decisions to OMB and the White House.

--A Department of Management and/or Administration combining the current management functions of OMB, OPM, and GSA.

--A Federal Management Institute, possibly as an extension or enlargement of the Federal Executive Institute, to provide leadership and assistance for management research, experimentation, and selected management improvement projects.

6. Require by statute an annual President's management improvement agenda, submitted concurrently with the Budget, reporting progress on achieving last year's agenda. Departmental management improvement plans could also be required as components of the President's agenda.

7. Recognize the importance of experience and continuity for effective agency management and support the appointment of distinguished career personnel as under secretaries and/or assistant secretaries for management in the departments and major independent agencies.

CHAPTER 7

COMMENTS FROM SELECTED PAST AND PRESENT GOVERNMENT EXECUTIVES

Having presented a draft of this study at the April 14, 1983 session of NAPA's Panel on Deregulation of Government Management, we sought to expand the discussion of options for sustaining management improvement initiatives by soliciting the comments of distinguished present or past Government executives. These individuals (see app. II) all served with the Executive Office of the President, or in some other way participated in the initiatives we addressed.

The executives generally agreed with our account of the history of the 12 initiatives and mostly confined their comments to a discussion of our observations and the listed options. As might be expected, the options engendered considerable debate. No consensus emerged on what should be done, possibly for the reason, as expressed by one respondent, that

> "There is not a clear notion of how executive agencies should be managed, in which an appropriate amount of central Presidential control is balanced by enough Congressional oversight to satisfy political needs and enough agency autonomy to avoid micro-management and over-regulation. This is a classic question which has never been adequately addressed or resolved."

The sharpest divergence of views occurred over the issue of whether the OMB management function should be separated from the budget function. Two executives urged that an Office of Management be established in the Executive Office of the President, combining the Government organization and management functions of OMB, GSA, and OPM. Under their proposal, the Director and Deputy Director of the Office of Management would be appointed by the President and the Deputy would be required to have 5 or more years service in an Executive Branch agency. A key requirement would be adequate staff to carry out the mission. They characterized the OMB history as one of (1) relative inattention by OMB leadership to management issues compared with most earlier BOB directors; (2) preoccupation with budget and economic issues with little or no attention given to the complex problems of Government management; (3) progressive fragmentation of responsibility for management improvement; and (4) a decline in OMB management staff quality and continuity.

In contrast, several executives offered suggestions for improving the relationships between the OMB management and budget functions. These respondents specifically objected to establishing a separate agency for management. One respondent argued that such action ". . . would send a clear signal that someone else is handling management and therefore it does not have to be undertaken by the line officials in the various agencies." A second expressed the view that continued effort should be given to linking management and budget because budget examiners need the management context to address budget issues. And a third argued that such a separate office ". . . would often be weak and ineffective because it would be more removed from budget sanctions."

This view of the importance of linking management and budget organizationally was not shared by one respondent. He feels that the experience of OPM and GSA supports the feasibility of linking a viable management improvement program to the budget, without organizationally being in OMB. However, he disagrees with, ". . . the widespread belief that management improvement ventures must be enforced thru (sic) the budget" finding it "managerially unsound."

Three respondents commented on the option of a presidential management agenda, all in support of the idea. One respondent said such a congressional requirement would lead to earlier Administration attention to management issues than has been the case so far. His view is that management issues only get attention 2 or 3 years into an Administration because other issues take priority. He also thought that the Congress, in legislating the requirement for an annual management improvement agenda, should provide for Presidential flexibility to set direction and priorities.

In lieu of commenting on any of the specific options we listed, one reviewer commented that for OMB's management staff to be effective, it needs very good people secure in their status and controlling recognized processes, similar to the budget processes. In his opinion, when the management side has the lead on management reform efforts with budget implications, it should oversee resource allocation decisions as in the creation of the IGs during the Carter Administration. Paperwork reduction and regulatory reviews are other areas where OMB's management side has established a recognized review process.

This last respondent was not the only one to comment on the need for talented staff to insure the success of management reform initiatives. The two reviewers recommending the creation of an office of management based their recommendation in part on what they see to be a decline in OMB management staff quality and continuity.

In discussing staffing issues, two executives specifically commented on the option in our paper that career personnel be tapped to serve in under secretary and/or assistant secretary for management positions. In agreeing with the concept, one respondent felt that providing more expertise and continuity in top positions would be essential for better management of government. The other one offered the opposing view that career personnel are not a panacea and that they can be impediments to Administration initiatives.

The issue of staffing of agency senior level management positions figured prominently in the April 14th NAPA panel sessions. Ideas presented at that meeting included

--creating three career positions in each organization: a chief financial officer, an inspector general, and an under secretary for management to increase stability and sustain management during political change;

--raising the assistant secretary for management above his/her peers to improve his/her capability to manage and ensure responsiveness from others; and

--reducing the 10 percent limit on noncareer SES employees to 3 to 4 percent.

The last option addressed by the executives was the idea of a commission on more effective government. Two respondents supported the establishment of such a commission to rally public and Congressional support behind an agenda of important reforms.

Finally, while the paper generally received favorable comments, some executives also expressed concerns. Their concerns were as varied as the views on the options. Three respondents took issue with our observation on the lack of a generally accepted doctrine of what constitutes good management.One argued that public administration theory does not provide a set of management principles which are broadly applicable across Government, and he viewed our paper as accepting uncritically the contrary Hoover Commission and Ash Council view. He saw no consensus supporting this view today. We do not necesarily advocate the adoption of broadly accepted management principles, but simply recognize that the absence of such a consensus increases the difficulty of undertaking any Government-wide management reform.

Two respondents expressed concern over our references to budget staff resistance to management improvement efforts. One stated"...management improvement has always been a major concern of the budget staff in OMB." He said there were many instances in which the budget staff sought better management, often in collaboration with their management colleagues.

Two respondents suggested that a broader focus on the full range of management efforts pursued during any given Administration might present a more positive image of the management record. They suggested there were a number of accomplishments separate and apart from the specific initiatives we reviewed. Both respondents commented that in some instances the OMB management staff was successful, against all odds, in achieving an Administration policy objective which was debatable on its merits.

Other respondents offered suggestions for additional areas of research. These included the numerous reorganization actions since OMB's creation, the perceived need for long-range planning, as well as expanded executive development opportunities.

CHRONOLOGY OF EVENTS

	Executive Office of the President					Congress
	OMB					
	Director	Deputy	Circulars	Changes in organization and administration	Special projects, committees & councils	Legislation
1970	George P. Schultz 7-1-70	Casper W. Weinberger 7-1-70		Office of Management and Budget(OMB) established 7-1-70 Domestic Council established 7-1-70	Reorganization Plan No. 2 of 1970 submitted to Congress 3-12-70	
1971						
1972	6-1-72 Casper W. Weinberger 6-12-72	6-12-72 Frank Carlucci 7-10-72	A-44 revised 5-24-72	President Nixon re-elected 11-72	Undersecretaries Group began through E.O. 11647 2-11-72	
1973	2-1-73 Roy Ash 2-2-73	2-2-73 Fred Malek 2-2-73	A-44 reporting requirements rescinded 7-17-73		Management-By-Objectives established early 1973 Productivity Measurement Program 6-73	
1974		9-13-74 Paul H. O'Neil 12-9-74		Office of Federal Procurement Policy established 8-30-74 President Nixon resigned. President Ford sworn in 8-74		P.L. 93-400 8-30-74 Office of Federal Procurement Policy Act
1975	2-3-75 James T. Lynn 2-6-75					
1976	1-20-77	1-20-77	A-113 issued 11-17-76	President Carter elected 11-76	President's (Ford) Management Initiatives announced to the agencies 7-24-76 evolved into Circular A-113	

CHRONOLOGY OF EVENTS

	Executive Office of the President					Congress
	OMB					
	Director	Deputy	Circulars	Changes in organization and administration	Special projects, committees & councils	Legislation
1977	Thomas B. Lance 1-21-77 9-24-77	James T. McIntyre 3-10-77		Domestic Council abolished	President's Reorganization Project Early 1977 Reorganization Plan No. 1 submitted to Congress 7-15-77	P.L. 95-17 4-6-77 Reorganization Act of 1977
1978	James T. McIntyre 3-22-78	3-22-78 John P. White 11-1-78				P.L. 95-452 10-12-78 Inspector General Act of 1978 P.L. 95-454 10-13-78 Civil Service Reform Act of 1978
1979			A-117 issued 3-22-79 A-44 and A-113 rescinded 3-23-79		Executive Group to Combat Fraud and Waste in Government established 5-3-79 Undersecretaries' Group abolished E.O. 12149 7-20-79 President's Management Improvement Council E.O. 12157 9-14-79 through 12-31-80	
1980				President Reagan elected 11-80		P.L. 96-511 12-11-80 Paperwork Reduction Act of 1980
1981	1-20-81 David A. Stockman 1-28-81	1-20-81 Edwin Harper 3-5-81	A-123 issued 10-28-81	Office of Information and Regulatory Affairs statutorily created 4-81	Assistant Secretaries Group 4-81 President's Council on Integrity and Efficiency established E.O. 12301 3-26-81	
1982		3-1-82 Joseph P. Wright 4-21-82			President's Private Sector Survey on Cost Control 2-18-82 Federal Procurement System Proposal 2-82 NAPA Panel on "Deregulation of Government Management" 8-82 Cabinet Council on Management and Administration and Reform '88 9-22-82	P.L. 97-255 10-8-82 Federal Manager's Financial Integrity Act of 1982
1983						

LIST OF OUTSIDE REVIEWERS WHO PROVIDED COMMENTS

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Alan L. Dean is the immediate past Chairman of the Board of Trustees of the National Academy of Public Adminstration. He was vice president of the U.S. Railway Association, Deputy Assistant Director of OMB, Assistant Secretary of Transportation, and Associate Administrator of the Federal Aviation Administration.

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Dale McOmber served as the Assistant Director of the Office of the Management and Budget for Budget Review.

Thomas D. Morris most recently served as Special Assistant to the Comptroller General of the U.S. He previous served as: Commissioner, Federal Supply Service, GSA; Inspector General, HEW; Assistant Comptroller General of the U.S.; Assistant Secretary, Defense; and, Assistant Director for Management and Organization, Bureau of the Budget.

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